An Examination of the Motivations and Consequences of Foreign Direct Investment in the Premier League 1992-2012

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Abstract

The English Premier League is regarded as one of the most prominent sporting competitions in the world. In the last decade the league (and by definition it's member clubs) have become highly attractive to wealthy foreign investors, having taken ownership of a number of clubs across the league. This thesis seeks to investigate the motivations and consequences behind this foreign direct investment (FDI). The study uses a multi-method approach not commonly found within the sports economics or FDI literature combining both quantitative and qualitative methods. The thesis has generated responses from 'elite' level respondents at Premier League clubs together with members of the supporters' movement. Existing data from club sources and market reports has been collected in order to assess the motivations and consequences of FDI.

The thesis finds the motives behind football FDI to be somewhat different to those held by other forms of business organisation. Football is a mostly loss-making industry, but despite this weakness, some investors have purchased Premier League clubs for economic reasons. The importance of non-economic motives, such as profile enhancement, and the notion of the trophy asset were also found to be influential motives behind some football FDI. These aspects are not strongly reflected in the FDI literature, and they imply football is different to other forms of investment.

FDI is shown to be mostly beneficial for the clubs receiving the investment, but for non-acquired clubs negative consequences are found in terms of wages, transfer costs, profits, and debt. For the Premier League itself, FDI has been positive in terms of enhancing the league's stature, revenues, and the quality of matches. Some benefits were found at the regional level. This thesis covers the gap within the literature surrounding FDI and football, and also raises wider points about the generalizability of FDI theory to all industries.

Contents Page

Table and Figure List

Tables

Figures

Appendices

Chapter 1: Introduction

1.1 Background

On May 19th 2012, Chelsea F.C, owned by a Russian billionaire, Roman Abramovich, who had an estimated net wealth of £10.3bn (The Guardian, 2011), achieved the Champions League title for the first time in Chelsea's history. This was a significant event for both the club and its owner. Abramovich had spent around £1 billion of his own personal wealth following his takeover of Chelsea in July 2003 (Burt, 2012). The Champions League is regarded as Europe's premier club competition, and in winning the tournament, Chelsea became the first side from London to secure the title of European Champions. For Abramovich, this completed the 'jigsaw' of major honours, to place alongside Chelsea's earlier Premier League, FA Cup, and League Cup successes, but in order to reach this point, Abramovich had ruthlessly moved through eight managers in nine years (Burt, 2012). Alongside this 'hire and fire' approach, Abramovich had also been subject to substantial losses in order to sustain the performance of Chelsea's squad. Earlier in the same month, Manchester City, owned by Sheikh Mansour, a member of the ruling family in Abu Dhabi with an estimated wealth of £20 billion (The Guardian, 2011), secured their first Premier League title after an investment also of around £1 billion (Bond, 2012). From September 2008, under the control of Sheikh Mansour, Manchester City had become one of the strongest sides in English football after several decades of struggle both on and off the field when they were unable to compete with Manchester United, Arsenal, Liverpool, and Chelsea.

However, the move to foreign ownership was not unique to Chelsea and Manchester City. By 2012/2013, eleven clubs were controlled by foreign investors and nine controlled by domestic owners. Manchester United, Arsenal, Aston Villa, Sunderland, and Liverpool all had North American ownership, with Russian ownership of Reading, Swiss ownership of Southampton, Malaysian and Indian ownership of Q.P.R, and Egyptian ownership of Fulham. Furthermore, Blackburn, Birmingham, Derby, Portsmouth, and West Ham had all been subjected to a foreign takeover while competing in the Premier League, and alongside this a number of lower division clubs were now controlled by foreign investors.

Many sports are now global big businesses and none seemingly more so than football and the English Premier League in particular. In the last two decades through a global distribution of television rights, televised football has come to have an audience measured in billions and Premier League clubs and individual stars have become iconic global brands. It is easy to see why, therefore, football might be an attractive sector for foreign direct investment

In sporting terms too, as foreign ownership has grown in English football, the level of success generated by (English) foreign owned clubs has increased. The last club to win the Premier League under domestic ownership was Arsenal in the 2003/2004 season, and since then foreign owned Chelsea, Manchester United, and Manchester City have all won the title. Both the FA Cup and League Cup have also been dominated by foreign owned clubs in recent seasons. But while foreign direct investment (FDI) appeared to bring sporting success on the field for some clubs, it often came at the expense of substantial financial losses. The investment in the pursuit of 'on-field success' has been achieved at the expense of the 'off-field losses'. So what are the reasons behind the growth of FDI in the English Premier League? And what are the consequences, for both clubs and league of this change in ownership.

The economics of sport and 'sports economics' are considerable fields in their own right (Andreff & Szymanski, 2006) But limited attention has so far been played to the issue of FDI and its relationship to football. One reason for this is the difficulty of finding good information sources, a problem that this thesis has had to deal with. But another, more significant problem is theoretical through the debate on whether sport in general, and football in particular, should be seen as ‘an industry like any other’, attracting investment on the basis of economic opportunity? Nash (2000) has argued that football is social in nature, but economic in basis, fulfilling a complex set of needs. The apparent trade-off between club profit and success on the field may be an example of this (Hamil & Walters, 2010). But these issues are long standing. Herbert Chapman, regarded as one of Arsenal’s greatest ever managers noted some club directors saw ‘takings at the turnstile’ as a measure of success rather than results on the field (Chapman, 2011). As these comments were made in the 1920’s, it was apparent the tension between economic and sporting aspects in a football club is long-standing.

In exploring the issue of foreign direct investment in English Premier League football this thesis seeks to cover a significant gap in the current literature concerning football itself within sports economics but in engaging with the wider arguments about how sport should be analysed. So to what extent is FDI in football determined by the theoretical models underpinning other forms of FDI, and to what extent is football a “different” business?

1.2 What is Sport?

“Some people believe football is a matter of life and death, I am very disappointed with that attitude. I can assure you it is much, much more important than that” (Attributed to Bill Shankly, Liverpoolfc.com)

Bill Shankly is regarded as one of the greatest British football managers of all-time, with his spell at Liverpool between 1959 and 1974, yielding three First Division titles, two FA Cups, and a UEFA Cup. Shankly was appointed as Liverpool manager when the club were languishing in the Second Division, but his period in charge transformed the club into one of the strongest in the English top flight during his reign. Shankly's legendary comment not only outlines his attitude towards the game and its importance, but also reflects a societal meaning, in recognising sports' importance to supporters and followers of the game (Peace, 2013).

The meaning and importance of sport has often been compared to organized religion. Both affect the needs of the spirit and the psyche rather than the needs of the flesh, neither bear on what is needed for physical survival, both stand outside the world of work. Sport, it is said, offers three components of life that religion also offers. There is a diversion from daily life; a model of coherence and clarity; and it provides heroic examples which can be admired and emulated. In the spirit of the Shankly quotation such observations do not treat sport in narrow economic terms, but point far beyond the material and the mundane (Mandelbaum, 2004).

The origins of organized sport are believed to have come from Ancient Greece where sport was promoted for its benefits in terms of health and well-being. Individual participants would compete against each other at Olympia in the forerunner of today's 'modern Olympics'. However, the winners of these ancient events would not receive financial rewards for their success, and the participation in the games was by amateur athletes. The early competitors in Ancient Greece were mostly wealthy, and only males of a "noble-background" were able to participate, so sport could be classed as an elite past-time. Wealth also created further barriers, as finance was needed in order to keep records, confer recognition, prepare, compete and provide organisation (Mandelbaum, 2004).

The creation of team sport came long after the development of individual sport with the development of modern industrial societies. With this development also came the notion that sport could be representational, with a team representing a specific area or group. Two millennia later, in the nineteenth century, the first football clubs were formed in England out of local neighbourhood or religious movements suggesting a wider non-economic rationale in the formation of team sports (Meier, 2008). Even today it is rare for a team to completely leave its community although this can happen (and is a feature of some North American sports).

Throughout its recent organised history, competitive team sport has almost always had an economic element. Clubs need resources. They also have the possibility of incomes. The essence of sport is the uncertainty of the outcome associated with a contest (match) between the teams (Neale, 1964). This uncertainty of outcome will attract spectators, as a sense of excitement will be created through the openness of the result. This excitement can be transformed into financial revenues and if this excitement is taken away from the sporting context then demand for the product will diminish (Hamil & Chadwick, 2010).

But the basis of interest is also non-economic. There can be pleasure in the enjoyment or interest in the game itself. Sport is said to have a wider 'ethic' expressed in the idea of sportsmanship. This extends to the integrity of competitions, which help clubs, players, and fans within a competitive framework. Team sport can also encourage cross class solidarity, which can then counter elitism. Through this interest, sport's supporters will associate with particular teams, and this can then be used as a method to communicate particular political, economic or social values (Hamil & Chadwick, 2010). In football, clubs have been used to express religious values (i.e. Glasgow Rangers and Glasgow Celtic), and national independence (F.C. Barcelona has long been associated with parts of the Catalan nationalist movement, Burns, 2012). In terms of national state identity and politics, sport in general, and football in particular, carries much larger connotations. For example, English football supporters sometimes chant against German fans 'two world wars and one world cup.' The different economic, social, political and psychological streams that feed into sport are therefore easily evident (Nash, 2000).

1.3 Sport as a Business

Even if we exclude these bigger questions and look at some of the issues posed by seeing sport within a narrower economic context significant economic problems still emerge. The sports team can be defined as an economic enterprise as they produce goods, hence a sports team must keep track of receipts and expenditures. A sports club through its management structure must also create plans, manage the organisation, and market its goods. However, this does not have to be associated with profit seeking motive (Heinemann, 1984), thereby distinguishing it from 'business'. There are peculiarities involved in a sports club which are not present in other business. For instance, Heinemann (1984) points out that the more democratic and voluntary structures within a sports club have distinguished them from other forms of business. Alongside these differences, sports clubs also rely on joint financing. A sports club does not necessarily meet its costs through the payment of membership fees or the sale of services. Therefore, some other elements of financing, possibly related to an investor, or other business subsidies and donations are feasible (Heinemann, 1984).

Sport has a further distinctive element which is joint-production. In sport at least two teams will have to combine resources in order to produce a match and many teams are required to produce a league (Flynn & Gilbert, 2001). A team must have rivals in order to play matches and generate interest. In the 1960s in his analysis of baseball, Neale (1964) pointed out that if the Yankees bought all of the rival franchises up then they would have no opponents. A single team cannot supply the entire market. This separates sport from other industries where the acquisition of rival firms can be used as a method of eliminating competition. In sport, competition is necessary. Within a league, sporting competition is potentially more beneficial to participants than sporting monopoly (Neale, 1964).

But there is an additional question of how wide the sports industry should be considered. Demy de Zeeuw, a Dutch international footballer, put it this way,

"There are complaints that we [footballers] earn too much, but the whole world earns money from your success as a footballer: newspapers, television companies" (Demy de Zeeuw in Kuper & Szymanski, 2012, p58).

While these comments concentrate on the media element of sport, other sectors such as gambling have also benefitted from sports' increased commercialisation. Sport can be used to directly promote a company (i.e. sponsorships). Televised sport offers further opportunities to generate business for these companies. These issues were identified long ago as a problem but still remain to be dealt with adequately (Neale, 1964).

Finally, the bigger sport has become the more other contradictions have opened- up, and not least with its support base. The growth of the sports industry over the last twenty years has provided benefits for a range of individuals. At one level, the owners and players from sports have benefitted from the additional revenues brought into sport. A recent pay dispute in the North American National Hockey League (NHL) was described as a clash between *billionaire owners* and *millionaire players* (The Economist, 2012). But these gains rest upon a customer/ community base of tens of millions, if not hundreds of millions, of much poorer but loyal sports fans. Their relationship to sport as a profit orientated business is much more ambiguous.

1.4 The Nature of Football

When we turn to football more specifically we see these conflicting positions also arising, not only in differences between economists and non-economists, but also between economists themselves. Some argue that football is a business and this is beyond doubt. As clubs have been quoted on stock markets, and generate turnovers worth millions of pounds per season (Banks, 2002). However, in contrast others have argued that football is not such an impressive business. They suggest football is not a 'big' business nor a 'good business', and that an argument can be made to suggest that football isn't actually a business (Kuper & Szymanski, 2012).

While Banks (2002) points to football as business, using turnover and stock market listings, Kuper & Szymanski (2012) suggest that such indicators lack perspective. Using the example of BBA Aviation they point out that this "little-known business" has a turnover and employee numbers which far exceed those of Manchester United, the English club with the highest level of turnover. However, is there middle ground? Are football clubs actually businesses, but a unique form of business? The public interest in a football club was long-established, as the former manager of Arsenal, Herbert Chapman noted in the 1920's. Whilst trying to sign a player from Sheffield United, Chapman reported how other people (whether they were journalists or football fans) were highly aware of Arsenal's attempt to sign the player (Chapman, 2011). Thus, football has a public element, which differentiates it from other types of business. Managerial or staff changes at Manchester United are much more publicised than those at BBA Aviation.

Amongst the peculiarities of football that make analysis difficult, several other issues can be noted. There are internal ones such as the processes of selecting managers and players, which is found to be highly restrictive. A first-team manager or head coach is virtually always a whitemale former football player. When scouting players, those with blond hair are said to stand out more to scouts irrespective of talent (Kuper & Szymanski, 2012).

Despite the poor 'business model' with consistent financial losses recorded by football clubs, football is also a highly stable industry. When comparing the 1922/1923 season with 2007/2008, Kuper & Szymanski (2012) found that 85 of the 88 league clubs from 1922/1923 still existed and 75 of these clubs were still competing in the top four divisions of English football in 2007/2008. Furthermore, 48 of these clubs were still in the same division as they were in 1922/1923, and only 9 of the clubs present in 2007/2008 were two or more divisions away from where they were in 1922/1923. Contrast this with the top 100 global companies from 1912, where 49 had ceased to exist by 1995, with some of the surviving firms having branched out into different sectors (Kuper & Szymanski, 2012).

Those sports teams who cannot keep pace with the other competition in a league can survive in a lower division after relegation, they are not forced to exit the market completely. Clubs can operate despite having a lower income during a recession or after relegation, while in instances of excessive bad investment, the club is not likely to be forced to exit the market. In the latter case, a football club can run-up large debts, and if the debts cannot be repaid a new set of directors will simply take the club over from the existing board. Manchester City with Thaksin Shinawatra selling to Sheikh Mansour, and Tom Hicks and George Gillett being forced to sell Liverpool to the Fenway Sports Group in 2010 are two such examples of this trend. Supporters can lose interest, but there will always be some form of catchment area for a club. Foreign firms are unable to enter the market directly, and supply football at a cheaper price than domestic firms. They cannot 'import' football from another country and sell this product at a 'cheaper' rate than domestic producers. The football product itself must be produced in the host nation.

Finally, the core technology of sport cannot be obsolete as the basic technology is the game itself (Kuper & Szymanski, 2012).

There is also the peculiar issue of fan loyalty. Football is an industry which creates a level of passion far greater than other products. Football team supporters are loyal to their club; there are few instances of supporters openly changing their allegiance (Giulianotti, 2002). In an analysis built on a rational choice approach, it can be argued that a product will no longer be purchased if it does meet customer requirements. The customer will switch to a better quality substitute, but in football, the product is consumed in a less rational manner so the argument of switching does not hold (Hamil & Chadwick, 2010). This loyalty can be exploited economically by football clubs in terms of merchandising and other sales opportunities, as this merchandise will help a supporter to strengthen the bond between them and their club. This provides football clubs with a lucrative income stream (Andreff & Staudohar, 2000), highlighting both the possible economic and social aspects of a football club and their distinctive interaction.

1.5 The Unit of Analysis

While there is a need for cooperation between teams, what should be considered as the unit of analysis? The seminal work of Neale (1964) argued that the unit of analysis is the sports league. While the sports team in a legal sense is a firm, but the sports league will set the framework for competition between the different teams. The sports league will exert control over fixtures, player mobility, and the entry and exist of clubs from the league. As the league has control of these matters, the sports league can be viewed as a multi-plant firm, with the individual teams acting as the plants who are subjected to the decisions taken at the league level (Neale, 1964). In his work on English football, Sloane (1971) rejected this approach. According to Sloane, the sports league only sets the rules and frameworks in which the sports teams will freely operate. It will be the member teams who will make the *economic* decisions on player investment or stadium development, and not the sports league. He also suggested that the arguments by Neale (1964) over emphasize the mutual interdependence between sports teams, and this is not a sufficient condition to analysis the football context as though the league was the firm (Sloane, 1971).

For the purpose of this study, the key economic decision maker is the football club rather than the league. The football club will be treated as the firm rather than the Premier League. Football clubs will operate in the confines of the Premier League, but the key decisions surrounding the purchase and sale of a club will be made independently of the Premier League. Hence, the club is the key actor in the process.

1.6 Foreign Direct Investment

This thesis is concerned with inbound foreign investment in the Premier League. Currently, there is no study which seeks to apply the concepts of Foreign Direct Investment (FDI) to the specific case of the Premier League. FDI can be defined as an investment which involves a long-term relationship, reflecting a lasting interest between two entities with one (the direct investor) located in a different economy to that of the recipient (Unctad, 2007). Intrinsically, FDI has been analysed through the development of a range of theories. These included the OLI paradigm (Ownership, Location, and Internalisation), developed initially by Dunning (1980), and the four determinants of FDI which follow from this paradigm, market-seeking, strategic-asset seeking, efficiency seeking, and resource seeking (Dunning, 1994). Over time, these theories have evolved in order to take into consideration the changing environment for multinational enterprises (MNE's). Knickerbocker (1973) has analysed FDI through mimetic behaviour, whilst more recently institutional theory has been used to explain FDI behaviour. However, such theories have not been applied to football.

FDI can also have a range of impacts on areas such as economic growth, competitiveness, technology, productivity, wages, and employment (Dunning & Lundan, 2008). A separate body of literature, which covers the spillover effects of FDI, has investigated these issues. Again, this literature has not been used within the football context despite some references to changes in competitive balance and productivity. This thesis will seek to apply the theories surrounding the determinants (motives) of FDI and the spillover effects to the specific context of Premier League football.

1.6.1 FDI and Football

FDI within the sports industry is a relatively new phenomenon. The ownership of sports teams has traditionally been tightly regulated, and this has not encouraged foreign investors due to the complex set of arrangements needed to be overcome in the purchase of a club. With the deregulation of sporting markets since the 1980’s, instances of foreign ownership have become more common with the English Premier League the “hotbed” of FDI activity in European sport, but it is not only the Premier League that has been able to entice such investors. Foreign investors have also entered the English Football League, Scottish Premier League, Scottish Football League, Spanish Primera Division, the top two flights of French football, and Italy’s Serie A. As football is the most prominent sport across the majority of Europe it is no surprise to see this particular trend. But what are the motives behind such investments? Little knowledge of these motives exists. Foreign owners of sports teams are highly secretive. Some will not discuss motives; others state that the motive is that they are fans of the club, while others do not profess a love of football (Conn, 2013). There is also little debate about the short and long-term consequences of such a trend. The nature of ‘ownership’ of the club as an asset is a problem (Conn, 2013). Despite not owning shares in a club, supporters have been viewed to be ‘club owners’, whilst the formal owners might be considered as ‘custodians’ of a club. Of course such a perspective can be romanticised, but the commercial adaptation of football clubs reflects a wider trend to view football clubs as no longer unique despite their societal importance.

1.7 Aims and Objectives

The broad aims and objectives of this thesis centre on the investigation of the motives and consequences behind foreign investment entering the Premier League. In order to address these aims and objectives this thesis will seek to address the following research questions.

1. What motives have influenced foreign investors to take control of Premier League clubs?
2. What direct consequences have there been on those clubs taken over by foreign investors?
3. What indirect consequences have there been on the Premier League itself, other Premier League clubs, and professional football in general?

1.8 Thesis Structure

On the basis of these research questions, the thesis will be structured as follows:

- Chapter one provides an introduction to the thesis and established the research questions and importance of the topic to be investigated.
- Chapter two will provide an introduction to the context of English football and the development of football related institutions.

- The third chapter will provide a review of the relevant literature on FDI. This will include an assessment of the literature on motives (both economic and non-economic), entry modes and consequences.
- Chapter four reviews the relevant literature on sports economics, including ownership objectives, football finance, and the work already conducted on foreign investment and the Premier League.
- The fifth chapter sets out the methodological approach to be followed in this thesis.
- Chapter six and seven will analyse the collected data. Chapter six covers the motives of FDI, whilst the latter covers the consequences of FDI entering the Premier League.
- Chapter eight presents the thesis contribution to knowledge as well as establishing some of the limitations present

Having introduced this thesis, the second chapter will now explore the contextual issues of English football.

Chapter 2: The Structures and Context of English Football

To make sense of the arguments concerning the relevance and importance of foreign direct investment in the English Premier League, it is important to understand the structure of English football. The aim of this chapter is to establish this context. The literature on football is extensive so the concern here is to highlight some of the more important specific factors that are needed to make sense of the debates about the economics of FDI in relation to football and the analysis that follows in this thesis.

2.1 Path Dependency and Institutional Structures

Football has deep historical roots. This history has an interest in its own right which is not explored here, but it is necessary to recognise the extent to which football carries its past both into the present and into the future. It does so partly as a matter of choice through seeing the past as a proud heritage at player, club, league, national and international level. But it also does so because of what economists call 'path dependency', the extent to which initial conditions remain important and firms, economies and systems get locked into certain patterns of behaviour.

In recent decades the scale of football as a sport and a business has grown. In 1991/1992, the top two divisions of English football (the first and second division) generated combined revenues of £228m (Deloitte, 2007). By 2010/2011, this had risen to £2.7bn, with £2.3bn being generated by the Premier League (Deloitte, 2012). With this growth there have been major changes in football's organisation but the competitions and problems which exist today also continue to reflect older and deeper issues. Not the least of these is a question over the purpose of football, and the way that this is then reflected in tensions in the different organisational structures and distributions of power.

Running alongside the economic history of football has been the issue of commercialisation. For some this is the root of all evil, but for others it is the core of the sport as a modern business (Vamplew, 1988, Williams & Neatrour, 2002, Meier, 2008). Such attitudes have helped to generate further tensions between the different entities and actors present in English football. The recent deeper commercialisation of football has intensified the tension between the sporting and economic aspects of the game. But such conflicting perspectives emerged early in the game's development.

Football originated from the upper class public schools in England, with different schools playing under different sets of rules. The main difference that emerged was in the nature of physical contact and whether hands could be used, leading to a distinction between 'rugby' and 'soccer'. To overcome the issues relating to these differences, the Football Association (The FA) was formed in 1863 to develop a formalised set of rules for 'soccer' (Banks, 2002).

In the early years after its formation, football was still the preserve of the upper-classes with games played between southern-based public schools competing for the Challenge Cup (Williams & Neatrour, 2002). The formation of the FA Challenge Cup in 1871 was one of the crucial early institutional developments. It was during the 1870's that football began to increase its appeal as economic growth and increased leisure gave more people time to spend playing or watching football (Russell, 1997). With these developments, some football clubs soon considered that money could be made from selling match tickets to FA Cup matches. (Buraimo et al, 2006). However, the FA argued that football should not be played for the benefit of spectators, noting that this could lead to "excessive partisanship" and "the abuse of players"

(Williams & Neatrour, 2002, p2). There was, thus, an early and direct conflict between the FA and those clubs which saw the adoption of a spectator sport model as a method of generating income.

The FA during this time was controlled by gentlemen amateurs who sought to protect football from commercial exploitation (Buraimo et al, 2006, Meier, 2008). They rejected any notion that players should be paid for their labour, and they also insisted on ‘fair-play’ (Conn, 2005). Payment of players was seen as being against the ‘spirit’ of sport (Williams & Neatrour, 2002). However, as the game expanded into working class areas, clubs in the Midlands and the North took a different perspective to the southern based clubs and the FA. Clubs from working class areas were willing to pay players despite the southern based clubs viewing this as a form of cheating and covert professionalism. In response, the northern based clubs considered forming their own breakaway association (Banks, 2002). Eventually, this tension forced the FA to accept professionalism in 1885 as its stance towards non-professionalism had become untenable (Buraimo et al, 2006). But this acceptance by the FA of a degree of professionalism was done in part to constrain it (Meier, 2008). A number of regulations were also created at this time which sought to control the commercialization of football, alongside protecting the clubs themselves. This included a restriction on the level of dividend which could be paid to club directors.

The operation of a football club at this early stage was on a voluntary basis (Dobson & Goddard, 2011). English football clubs initially operated primarily as sporting clubs. A club would be run by an elected committee, which was also liable for any debts incurred by the club. English law dictated that financial transactions entered into by a club committee were the personal liability of club committee members. However, with the adoption of professionalism this structure became unsustainable as clubs had to invest in order to build stands and sign players. The result was that the financial burden for the majority of committee members became too great (Buraimo et al, 2006).

As a result of these weaknesses, most clubs became private limited companies. In this system, ‘owners’ gained protection in law but ownership tended to be invested in the hands of wealthier individuals. By 1888 it was recommended that football clubs with a turnover of over £1,000 should convert from the private association sports club model of operation to the limited liability model of ownership (Morrow, 2003).The first club to take this route was Small Heath (now Birmingham City) in 1888 (Williams & Neatrour, 2002), though football club owners at this stage were still predominantly drawn from the local business community (Buraimo et al, 2006, Dobson & Goddard, 2011, Williams & Neatrour, 2002, Williams & Hopkins, 2011).

The motivations of the individuals who invested in football at this time stage were often non-economic. Many of these individuals tended to be successful businessmen who were also supporters of the club (Szymanski & Hall, 2003). Investment was linked to a sense of civic pride and duty, particularly in the event of financial difficulties (Buraimo et al, 2006). The investment was also driven by other factors such as prestige, power, and group identification (Sloane, 1971). Investment into a local football club could generate an economic benefit to an owner through additional promotion or income for their other business interests but this tended to be a secondary concern (Williams & Neatrour, 2002). Club directors were considered as ‘custodians’ of the club, and the football club was effectively operated as a form of public amenity (King, 1997). As a result, football clubs elected to keep ticket prices low in order to keep matches affordable (Kelly et al, 2012), to ensure a continuing close tie to the local community.

This distinctive form of ownership and ‘business’ was re-enforced by the most prominent regulation known as Rule 34 which restricted the payment of dividends and salaries to football club directors. As a result of this rule, dividends were restricted to 5% of the nominal values of shares (Williams & Hopkins, 2011, Dobson & Goddard, 2011). The FA regulations also required that the existing chairman must approve any transfer of shares (thus eliminating the chance of hostile takeover) and, in the event of bankruptcy, a requirement was framed which would ensure the ownership of a club's assets would transfer directly to the FA (thereby limiting the chance of asset-stripping) (Conn, 2005). Alongside these rules, the FA also imposed the "retain and transfer" system and in 1904 imposed a maximum wage for players. These two measures helped to restrict both player mobility, and the level of economic competition between clubs (Buraimo et al, 2006). Taken together these various measures helped to define football club ownership as effectively a not-for-profit activity (Dobson & Goddard, 2011).

Alongside the limited adoption of professionalism was the creation of the Football League in 1888. The Football League was initially made up of twelve clubs, all of whom were drawn from the midlands or the north. In 1882, the league expanded to twenty eight member clubs, and added a second division. By 1904, the Football League had forty member clubs (with twenty-two from the north or midlands), and regionalised divisions were created between 1920 and 1922, which helped to increase the level of participation from southern based clubs. By 1924/1925, the total number of clubs had reached eighty-eight, with the final expansion to ninety-two clubs across four divisions taking place in 1950/1951 (Williams & Neatrour, 2002). The Football League ensured that member clubs in each league would play each other in regular fixtures, which would guarantee those clubs more income security. However, the operations of the member clubs would be significantly regulated. In contrast to the FA, the Football League was not opposed to professionalism and commercialism in football. Despite this, a feature of the Football League was that it would redistribute revenue from the larger clubs to the smaller ones (Conn, 2005). Over time this redistribution mechanism would prove to be problematic as the larger clubs grew, and saw themselves constrained by having to share revenues with smaller rivals (Buraimo et al, 2006).

The presence of these two institutions, created a dual governance structure where lines of accountability were blurred (Meier, 2008). The activities of the Football League were partly constrained, and the Football League even introduced its own cup competition (the League Cup) in 1960, in order to help to change the power balance in English football (Hopkins, 2012).

This potentially conflicting organisational structure remains today. Different clubs compete in different leagues and are dependent upon their position in the football pyramid. The leagues are organized on an open basis, with promotion and relegation permitted between divisions (Noll, 2002). At the apex of the pyramid since 1992 has been the Premier League, the top division of English football with twenty member clubs. The next three divisions are controlled by the Football League, and consist of seventy-two member clubs. The divisions below the Football League are considered as 'non-league', although the fifth tier of English football known as the Football Conference has a number of professional clubs. Below this level, English football is made up of semi-professional and amateur clubs, with leagues organized on a regional basis. English football continues to be governed by the FA which, like other European national associations, is a member of the European governing body, UEFA. UEFA is then a member of the global governing body of football, the International Federation of Association Football (FIFA) (Ducrey et al, 2003).

Alongside the national competitions, English football also developed a supranational element. This began as the European Cup and the Inter-Cities Fairs Cup in 1955. At this time both tournaments were based upon on a knockout structure with a small number of teams involved. In recent years these tournaments have been expanded to include more teams, with the

European Cup becoming the Champions League in 1992, and the Inter-Cities Fairs Cup becoming the UEFA Cup in 1971 and subsequently the Europa League in 2009. The expansion of these tournaments increased the number of matches played between European clubs through having preliminary knock-out stages, followed by separate group and knock-out stages. The benefit of this change was more matches and revenue. In England, the Champions League qualifiers are currently the top four teams at the end of each Premier League season, while the Europa League is open to clubs who finish between fifth and seventh, depending on the winners of the domestic cups. A similar system is in place across Europe depending on league strength. The number of European places is determined by the strength of a league's performance in European competition. This is calculated through UEFA's coefficient system.

As football developed in the UK, there were elements of change in its institutional structure and business behaviour. But a significant contrast still existed between the pattern before the 1990s and that which developed subsequently. The key elements of the contrast with the later pattern are set out in Table 2.1.

Despite the removal of some restraints, football in England prior to the formation of the Premier League (pre 1990's) was heavily regulated. Indeed, the FA indicated that the most important objective for a club owner was to provide entertainment through a football match (Sloane, 1971). This implied the sporting aspect of a football club was considered to be of greater importance than the non-sporting aspect, with the owner essentially a 'custodian' of the club.

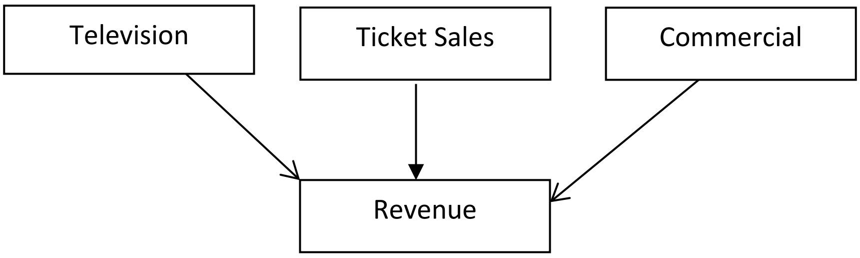
Table 2.1 Changing Business Approaches to English Football

Issues	Pre 1990s	1990s to date
Power balance and regulatory capacity	Dual governance structure, low capacity of the governing bodies	Dominance of professional clubs
Competition and coordination between clubs	High degree of redistribution within professional football	Low degree of redistribution, fierce resource competition
Corporate governance and financial regime	Corporate governance heavily regulated, but elements of a shareholder, market financed system included	Increased importance of shareholder governance and market financing. Poor financial regime, comprehensive financial responsibility of clubs
Labour market for professional footballers	Restrictive player labour market regime to control player salaries (retain and transfer system)	Extensively liberalized labour markets. Collective Bargaining Agreements (CBA's) as a means to control labour costs.
Dominant institutional domain	Restrictive player labour market regime	Commercialized product market, liberalized labour market.
Institutional complementarity	Low, self-defeating features putting stability at risk.	Low; financial losses despite heavily increased revenue streams
Aggrieved actors	Owners, Directors, and others with an interest in commercialisation	Supporters and community actors

(Source: Adapted from Meier, 2008)

The notion of aggrieved actors had a dual emphasis. Firstly, it related to club owners, and directors who wished to maximise the financial performance of their club, but secondly, players were also 'aggrieved actors' particularly during the 1950's. The imposition of the maximum wage negatively affected the earning potential of professional footballers, and this restraint was removed in 1961 (Szymanski, 2006). Figure 2.1 shows the major sources of revenue prior to the 1990s.

Figure 2.1 Major Revenue Streams for football clubs prior to the formation of the Premier League



The dominant form of revenue prior to the formation of the Premier League was generated from ticket sales. Revenue sources from sponsors, television, and other commercial sources were less important at this time (Andreff & Staudohar, 2000). Shirt sponsorship, for instance, did not begin on a large scale until the 1980s. Due to antiquated facilities, football clubs were also unable to generate significant revenue streams from commercial sources on a match-day such as hospitality, and there was little competition in the television market even though football began to be televised in the 1950's. During the early stages of televised football, only two providers (BBC and ITV) competed for rights to matches. Through this lack of competition, the revenues generated from television were limited and this re-enforced the reliance on ticket income for football clubs.

For the top clubs in the pyramid the system of revenue generation was cause for much frustration. As gate receipts were the most important income stream, the Football League had put in place a system of revenue sharing between clubs (Buraimo et al, 2006). This mechanism was a method of protecting smaller clubs, and improving competitive balance. However, for larger clubs, such a system was not beneficial as they were forced to support smaller clubs lower down the pyramid. With the failure to adequately generate revenues from other sources, this created a group of 'aggrieved actors' who pushed for institutional change.

2.2 The Change in Institutional Structure: the Formation of the Premier League

By the 1980s football in England was in deep difficulties and many were pessimistic about the possibilities for change, in particular some owners/club investors wanted the adoption of a more 'business like' approach to the development of 'the game'. Spectator demand had reached a record high after the end of the second world war, with the peak years for attendance between 1948 and 1950 (Dobson & Goddard, 2011). From this period onwards, match attendance across the four divisions began to decline steadily, negatively affecting revenues made across all clubs. By 1986, the aggregate match attendance across all four divisions had declined by 40.2% from a peak figure of 41 million in 1949 (Dobson & Goddard, 2011). The decline in match attendance was partly a result of growing real incomes. English football faced more competition as new leisure markets were opened-up to individuals who would have previously spectated at matches (Szymanski, 2006, Dobson & Goddard, 2011). The level of match attendance was also affected by the poor quality of facilities and the increasing level of fan violence. Match attendance was made up of the most fanatical supporters, who tended to be white, young men, many of whom were on low incomes (Szymanski, 2006). Attendance declined further because of the measures put in place by police and clubs to try and control the problem of football violence (Dobson & Goddard, 2011).

At the time clubs were also facing rising costs due to the removal of the maximum wage, exacerbated by the introduction of freedom of contract in 1977/1978 (Meier, 2008). The adoption of freedom of contract gave players the right to choose whether they would move at the end of their contract, but player movements were still constrained due to the clubs being able to demand a transfer fee when a contract was offered to the player (Dobson & Goddard, 2011).

These financial problems created something of a vicious cycle, as the decline in match attendance also meant that clubs were unable to invest in improved stadia. This not only deterred spectators but fed into several stadium disasters where the facilities were not fit for purpose (Szymanski & Smith, 1997).

The decline in attendance created some pressures for change, but it needed the coming together of the stadium disasters to push English football to a new path. It was the biggest UK stadium disaster of the 1980’s which led to new government incentives to force a degree of change. The Hillsborough disaster in 1989, where ninety-six Liverpool supporters lost their lives, was a pivotal moment in the development of English football. The Taylor Report was commissioned to investigate the causes of the disaster, and the report argued that the top two tiers of English football should adopt all-seater stadia by 1994. Not only would all-seater stadia enhance safety, but the new facilities would be beneficial in modernizing English football, making match attendance more attractive (Taylor Report, 1990). The appeal of better facilities allowed clubs to adopt a more free-market approach to ticketing as alternative spectator groups could be targeted other than males on low-incomes (Nash, 2000). While the positive benefits of reform were clear, a problem still existed in terms of financing the development. Although the government made some funding available (Meier, 2008), the clubs would have to raise a significant level of income themselves to fund the redevelopment (Banks, 2002).

A second factor, behind any change was the deregulation of television and the opening up of the TV market for sport, which transformed the financial situation in football and also created new marketing possibilities. A third element was the globalisation processes which created the possibility of projecting a national league onto the global stage.

Alongside the redevelopment of stadia and opening up of television markets, institutional change was also pushed by the aggrieved actors at club level. This resulted in the formation of the Premier League in 1992 as a twenty-two club breakaway league from the rest of the Football League. As part of the new league's formation, the member clubs had control over the league's affairs, and unlike the FA and Football League there were no standing committees or board of directors which could dilute the power of the clubs. Like the Football League, the Premier League operated on a one-member one-vote principle, with a two-thirds majority required in order to implement a major change. With this system, the member clubs also voted through the appointment of a league chief-executive, commercial director, and independent league chairman (Banks, 2002).

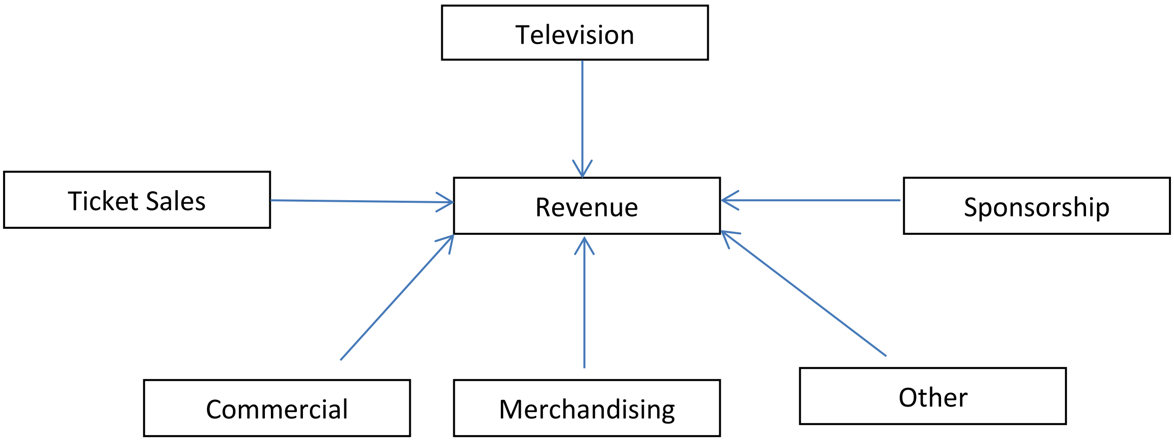
A feature of the formation of the Premier League was the role of the FA. The FA had published its own document on the structure of English football in 1991 where it argued for the creation of an eighteen team top division, which was independent of the Football League (Banks, 2002). The FA had seen the formation of a breakaway top division as a chance to re-assert itself in the governance of the English game, and it eventually legitimized the creation of the Premier League, which was initially known as the FA Premier League (Meier, 2008). However, the breakaway league with twenty-two teams neither eased the level of fixture congestion which the FA had specified as one of its objectives, nor did it create a unified approach. Furthermore, the Premier League did not operate as a subordinate to the FA. In-fact the league's creation developed a third force in English football alongside the FA and the Football League (Banks, 2002). The FA did however hold a golden share in the Premier League, but it had little influence over the day-to-day running of the league

Change was also encouraged by new developments in television and the possibility of using football as a means of extending market penetration for new media companies. By the 1980's the level of competition in the UK broadcast market was growing with the adoption of pay television broadening the level of customer choice. Not only would this increase the level of competition in the broadcast market, but it would also increase the level of competition for football television rights. The deal would break-up the terrestrial duopoly of ITV and BBC which had dominated football rights in English football to this point (Szymanski & Smith, 1997).

Initially clubs were opposed to live televised matches in the belief that it would cause attendances to decline. Indeed, this chapter has already shown the relative importance of gate receipts compared to television income. However, the increase in live television matches helped to rehabilitate football’s image and the opposition to televised matches quickly diminished (Szymanski, 2006). The Premier League was also free to negotiate their own television rights deals, and the Premier League clubs were able to keep around 80% of all revenues generated from television (Meier, 2008). This was a huge shift. In the previous four divisional Football League structure, the top division only received 50% of the revenues generated from television. Moreover, in the Football League, revenues from television were not exploited to the same extent as in the Premier League (Buraimo et al, 2006).

Figure 2.2 shows how the result of these changes was the emergence of additional revenue streams and a changing balance in their relative importance.

Figure 2.2 Revenue Streams Post-1992



For some clubs, revenue streams were becoming increasingly dependent on television income. The clubs who fitted this description were those who did not have a large local fan base or an attractive global profile. In addition, these clubs did not have the same commercial power as the larger clubs at the top of the Premier League who were attractive to sponsors. For them the sources of income not related to television were harder to generate. The larger clubs, on the other hand, viewed this as a 'free-rider' problem where smaller clubs took home the financial benefits which had been generated by the success and growth of larger clubs.

The changes also led to the adoption of new forms of organisation and patterns of behaviour in the Premier League, which were set out in Table 2.1. There was no longer the same dual governance problem which existed prior to 1992. The formation of the Premier League gave the FA less control of English football (Conn, 2005). This enabled professional clubs, once the aggrieved actors, to become the dominant group in English football. The removal of redistribution mechanisms affected smaller clubs at the bottom of the pyramid, who now faced even greater difficulties in generating revenues. Furthermore, it had become even more difficult for smaller clubs in the Premier League to compete with the larger dominant clubs.

The changes have also proved to be beneficial for players who now also had more influence. The creation of the Bosman ruling in 1995 enabled players at the end of their contract to move on a free transfer, even if they were offered a new contract by their existing club (Dobson & Goddard, 2011). This created a dilemma for football clubs as they would have to risk losing a player on a free transfer if the player did not wish to sign a new contract. Football players had increased opportunities to move for additional money as a result of this change.

The reduced dependence on ticket sales also allowed for the possibility of an increase in the importance of the business elements of a football club. But did this come at a cost to some? There were fewer aggrieved actor constituencies compared to before 1990, but despite the reduced dependence on ticket sales, club supporters were now in a weaker position. They faced higher ticket costs, as well as expensive costs for replica shirts, and an additional cost in purchasing television services to watch matches. The problem of aggrieved actors had moved away from those who felt their earning potential was being constrained to those who feel they are faced with an overpriced game.

A football supporter is not a customer in the normal sense. Higher prices do not often lead to a switch to a cheaper alternative. Instead they will no longer consume their club's product (matches or merchandise) or as much of it. On a larger scale this can then lead to the erosion of supporter networks (Duke, 2002). Football's commercialisation has, therefore, come at a cost to its 'customer' base, but it also affected club ownership. How has this altered following the formation of the Premier League?

2.3 The Changing financial structures facing football clubs

The greater marketization of football opened up the possibility of new company forms being adopted and for new owners coming in leading to more diversified ownership structures. One aspect of this was the possibility of a stock exchange listing. In 1983, Tottenham Hotspur became the first English club to list on the stock exchange. This decision to list on the stock exchange was motivated by profit considerations. A stock exchange listing circumvented the FA's regulations on dividend payments. Secondly, the wider strategy from the investors at this club was to place Tottenham at the centre of a business empire (Banks, 2002). While the initial listing was considered a success (Morrow, 2003, Banks, 2002), over time Tottenham *did not* generate the expected profits and club debts increased due to other failed business interests. As a result, Tottenham was eventually sold onto new investors (Banks, 2002). Manchester United were the next club to seek a stock market listing in 1989, and in the 1990's, the rush to the stock exchange accelerated with twenty-three clubs experimenting with some form of listing by the end of the decade (Dobson & Goddard, 2011). The type of clubs that were listed on the stock exchange varied between large Premier League clubs and smaller lower division clubs.

Table 2.2 displays the different types of ownership structures present in English football in 1997. Even though a number of different clubs had listed on a stock exchange, the main shareholder (e.g. Doug Ellis at Aston Villa) still had significant control over their club, either through the percentage of shares owned, or the relationship with major shareholders. In these cases, public ownership did not significantly improve governance structures. At other clubs a more diversified system was pursued (e.g. Manchester United). In reality most clubs, whether they were private or publically owned, were highly concentrated in either ownership or control. In football, the importance of family control also remained, as is indicated in Table 2.2.

Table 2.2 Classification of football companies by ownership type (1997)

Private Companies		Public Companies		
Dominant Owner	*Family/director controlled*	*Dominant Owner*	*Family/director controlled*	*Diversified Ownership*
			Arsenal	
Blackburn Rovers	Birmingham City	Aston Villa	Leicester City	Leeds United
Derby County	West Ham United	Newcastle U	Nottingham F	Manchester U
Everton	Swansea City	Sheffield W	Bolton W	Sheffield U
Liverpool		Sunderland	Charlton A	Southampton
Wimbledon		Tottenham		West Bromwich A
Middlesbrough				
		Preston N.E		
		Q.P.R		

(Source: Morrow, 2003)

The market expectations for football club shares that did go public were initially high, with the value of football club shares expected to rise through increased income from television and media sources (Banks, 2002). However, by 2000, the value of football club shares began to fall with investors losing interest due to the absence of regular dividends. Football club share prices were also affected by the prevailing market conditions. The dot.com boom of the late 1990's and the subsequent collapse of share prices in the early 2000's strongly influenced the prices of football club shares. In the long-term, the PLC model of ownership did not prove to be success. By 2001, clubs had begun to delist, starting with Queens Park Rangers and Leicester City in 2001 and 2002. These two clubs were not alone in their financial difficulties. A number of other listed clubs also experienced declines in profits, as increased spending on team development was undertaken across the division.

A further feature of football clubs listed on the stock exchange came from the involvement of new types of investors in football clubs. Media companies sought to invest in football clubs as one of a series of investments into sports teams (Conn, 1997). Indeed, several media companies considered the purchase of a club as a saleable method of vertical integration, believing they would be in a stronger bargaining position into the next round of television rights negotiations (Banks, 2002, Dobson & Goddard, 2011). This posed additional problems in terms of both the interests of the league and the clubs and also national and European competition laws. In 1998, Sky attempted to purchase Manchester United, but the proposal was fraught with complexities. The deal was officially rejected on competition grounds as it would have reinforced Sky's dominant position in the UK pay-television market as well as enhancing Manchester United's dominant position in English football (Banks, 2002). In order to control the level of media interest in football club shareholdings, a 10% limit was applied by the FA. As a result of this, BskyB purchased minority shareholdings in Manchester United, Leeds United, Chelsea, Sunderland, and Manchester City. Granada purchased a shareholding in Liverpool, ITV invested in Arsenal, and NTL in Newcastle, Middlesbrough, Aston Villa, and Leicester City (Dobson & Goddard, 2011). The deals were particularly beneficial for the clubs who were able to inject the finance generated from the purchase of shares into strengthening their teams. However, for the media companies these deals did not generate the anticipated short or longer-term financial benefits due to the failure of club shares to either grow in value or to produce dividends (Banks, 2002).

The problems for some clubs did not stop wealthy individuals investing in football clubs. Local connections continued to be present at clubs such as Newcastle United, Middlesbrough, and Blackburn Rovers. Indeed, the Blackburn case highlights a successful local businessman providing investment in order to transform the club into the Premier League Champions (Buraimo et al, 2006). But other club owners were not locally based. Wulzinger (2006) points out that the new investors into English football clubs were racehorse owners, theatre impresarios, diamond dealers, heirs to fortunes, and construction magnates. Some of the new investors were also considered as members of the British business elite, who were able to make substantial profits on the sale of their shareholdings to other investors.

Finally, Figure 2.3 shows three possible major routes to ownership, from the sporting club as a voluntary association (unprotected in law) towards a more commercial entity.

Figure 2.3 Evolution of Possible Governance forms for Football Clubs

Voluntary association

⇩

------------------------------------ National Competition Rules ---

--------------------------------- League Governance Regulations---------------------------------------

⬃ ⇩ ⬂

Mutual	**Private Limited Company**	**Public Limited Company**

Of these routes, the mutually based ownership structure has not been common within English football. However, following government legislation introduced under the last Labour government, the supporters trust movement has enabled several clubs at lower levels to become supporter owned (Dobson & Goddard, 2011). In contrast, at the top, the main ownership forms have been and are, ostensibly, profit oriented.

2.4 Foreign Ownership

The changes outlined in section 2.3 helped to pave the way for foreign investors to enter English football and the Premier League. This has taken place against a background of wider foreign investment in the UK. Figure 2.4 indicates the change in inward FDI stock in the UK between 2003 and 2012.

Figure 2.4: Inward FDI stock in UK from 2003-2012

(Source: UK Inward Investment Annual Report 2013).

Prior to 2003, inward FDI stock was equivalent to around 40% of UK GDP. At this point just three Premier League clubs (Fulham, Portsmouth, and Chelsea) were foreign owned, compared to other industries, where the arrival of significant flows of inward FDI came late in football.

Table 2.3 below shows how from the late 1990s foreign takeovers began to occur in the Premier League, and how they became more prominent in the 2000's. While there had been some examples of foreign ownership in English football prior to the formation of the Premier League, these instances were extremely rare. An early instance of foreign investment was the Lebanese born businessman Sam Hammam, who emigrated to the United Kingdom and then purchased a controlling share in Wimbledon.

Table 2.3 Foreign Investment into PL Clubs

Club	Takeover Date	Investor	From	Buyout Type
Wimbledon	1997	AKER	Norway	Part to Full
Chelsea	July 2003	R Abramovich	Russia	Full
Manchester U	June 2005	Glazer Family	U.S.A	Full (hostile)
Portsmouth	January 2006	A Gaydamak	Russia/Israel	Part to Full
Aston Villa	August 2006	Randy Lerner	U.S.A	Full
West Ham	November 2006	B Gudmundsson	Iceland	Full
Liverpool	February 2007	T Hicks & G Gillett	U.S.A	Full
Arsenal**	April 2007	Stan Kroenke	U.S.A	Part
Manchester C	July 2007	T Shinawatra	Thailand	Full
Arsenal	August 2007	Red & White	Russia	Part
Birmingham	August 2007	Grandtop	Hong Kong	Part to Full
Derby	January 2008	G.S.E	U.S.A	Full
Manchester C	September 2008	Abu Dhabi UG	Abu Dhabi	Full
Sunderland	May 2009	Ellis Short	U.S.A	Part to Full
West Ham	June 2009	CB Holding	Iceland	Full
Portsmouth	August 2009	S Al-Fahim	Abu Dhabi	Full
Portsmouth	October 2009	Falcondrone	Saudi Arabia	Full
Portsmouth	February 2010	Portpin	Hong Kong	Full
Liverpool	October 2010	FSG	U.S.A	Full
Blackburn	November 2010	Venky's Group	India	Full
Q.P.R*	August 2011	T Fernandes	Malaysia	Part

*= Part of Q.P.R still owned by the Mittal Family
**= Arsenal remains listed on AIM and is not fully controlled by one investor. Alisher Usmanov also holds a substantial shareholding in the club.

In addition, Table 2.4 shows those clubs who were foreign owned at the time of promotion to the Premier League

Table 2.4 Clubs with foreign ownership when promoted to PL

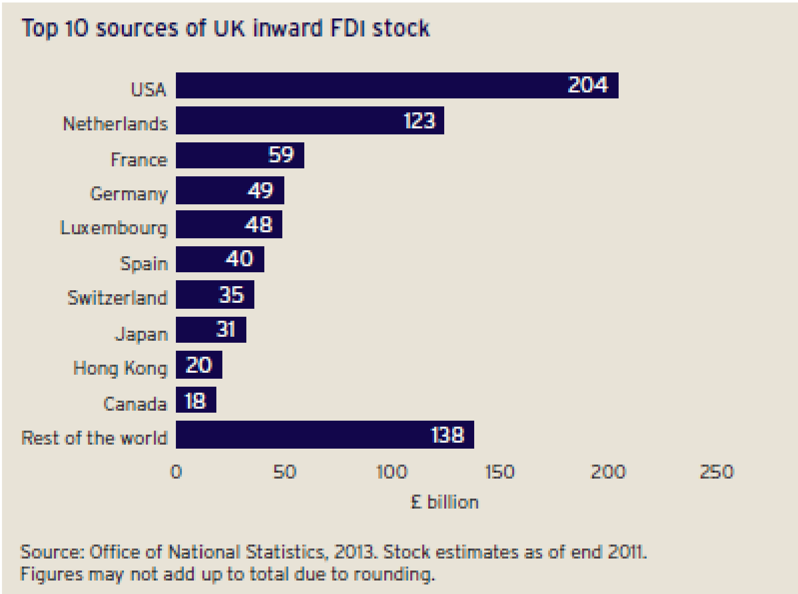
Club	Takeover Date	Investor	From	Buyout Type
Fulham	May 1997	M Al-Fayed	Egypt	Full
Portsmouth	1999	M Mandaric	Serbia/U.S.A	Full
Sunderland	July 2006	Drumaville	Ireland	Full
Blackpool**	2006	VB Football	Latvia	Part
Q.P.R*	August 2007	F Briatore/Mittal family	Italy/India	Full
Reading	January 2012	A Zingarevich	Russia	Part to Full
Southampton	July 2009	Liebherr Family	Switzerland	Full

*= Q.P.R also had ownership from a domestic investor (Bernie Ecclestone)
**= Blackpool major shareholder is a domestic investor (Oyston family)

From these tables it is apparent that the majority of the FDI entering English football has come from North America or emerging markets based in the Middle and Far East.

Figure 2.5 displays the top ten inward investing countries in the UK overall.

Figure 2.5 UK Inward FDI Stock in 2013



(Source: UK Inward Investment Annual Report, 2013)

North America has also been the largest source country for inward FDI entering the UK. Alongside North America, the other major investors into the UK have been mostly European. Football related FDI, however, has rarely come from European nations, although the role of North America is evident in both football and non-football foreign investment. Nonetheless, FDI in the Premier League does reflect a wider global trend in FDI outflows with the rise of emerging and transition nations. A large amount of the FDI entering the Premier League has come from these sources.

The peak period for FDI entering English football was between 2006 and 2009. The takeovers in 2009 were ‘repeat’ foreign takeovers where FDI was used to bailout the investment of the previous foreign owner. In the cases of Portsmouth and West Ham, foreign owners were unable to fund their clubs operations, and as a result they were forced to relinquish their ownership position. A similar observation can be made about Liverpool and Manchester City (Storm & Nielsen, 2012). Alongside this, FDI has increasingly occurred too in the Football League (particularly the Championship) where clubs are cheaper, and costs are lower, but the trade-off is lower revenue streams.

2.5 Continuing Tensions and Theoretical Problems

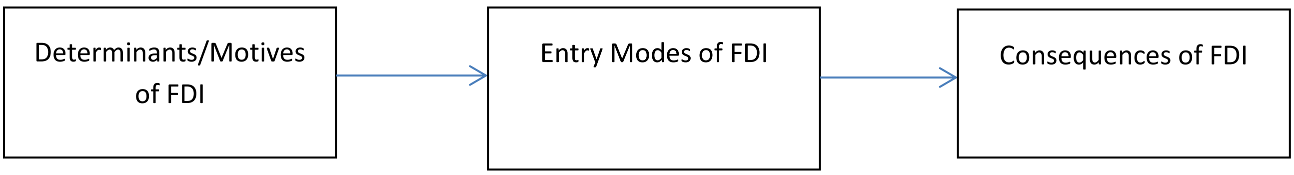
All of this might seem to suggest that a decisive shift towards a new approach to football as a business had been made. Even if this were true, however, there would still be the problem of analysing how the sector specific economic elements of football as an industry are reflected in foreign direct investment patterns. But other factors make this more complicated still. In economic terms the most obvious is that most football clubs continue to make losses which obviously raise questions about the extent to which a narrow economic approach can illuminate the present desire to own a club, particularly by a foreign investor. Football too continues to generate much wider emotions. As the game has grown in scale and in wealth, so too has the discontent of core supporters. One aspect of has been the concern of some fans to look to economic forms that might help clubs keep a more local focus. This has intensified interest in the issue of forms of mutual ownership, where supporters are able to take control of their club. The trusts are operated on a one member one vote principle, and give the opportunity for supporters to act as a collective and re-establish the link between community and football club (Morrow, 2003; Hamil & Morrow, 2008). The clubs which are operated in this way are primarily in the lower divisions of the Football League or in the non-league system. An example of a mutually owned club is FC United of Manchester, which was formed by dissatisfied former Manchester United supporters in the response to the Glazer takeover (Dobson & Goddard, 2011). Other clubs in lower leagues have been purchased by the supporter trust when faced with financial crisis.

The specific characteristics, therefore, of the economics of sport and the economics of football in particular and beyond that, the English Premier League, pose a series of theoretical and empirical challenges not least when it comes to the analysis of this wave of foreign takeover and investment. The next chapter therefore will discuss the wider motives and effects identified in the FDI literature so that the thesis can situate the analysis of FDI and football in the context of this bigger question of the movement of capital globally.

Chapter 3: Literature Review: Foreign Direct Investment

The second chapter of the thesis set out the contextual background to the development of English football and outlined the economic basis for the development of the game in England. This next chapter assesses the literature relating more generally to FDI concentrating on the motives, entry modes, and consequences. It begins by considering the general theories which have been used to help identify the motives of FDI. Following on from this is a briefer discussion of the literature surrounding the entry modes of FDI. The final part of the chapter will then examine the literature pertaining to the consequences of FDI. The analysis of FDI is summarised in Figure 3.1.

Figure 3.1 Division of FDI Analysis



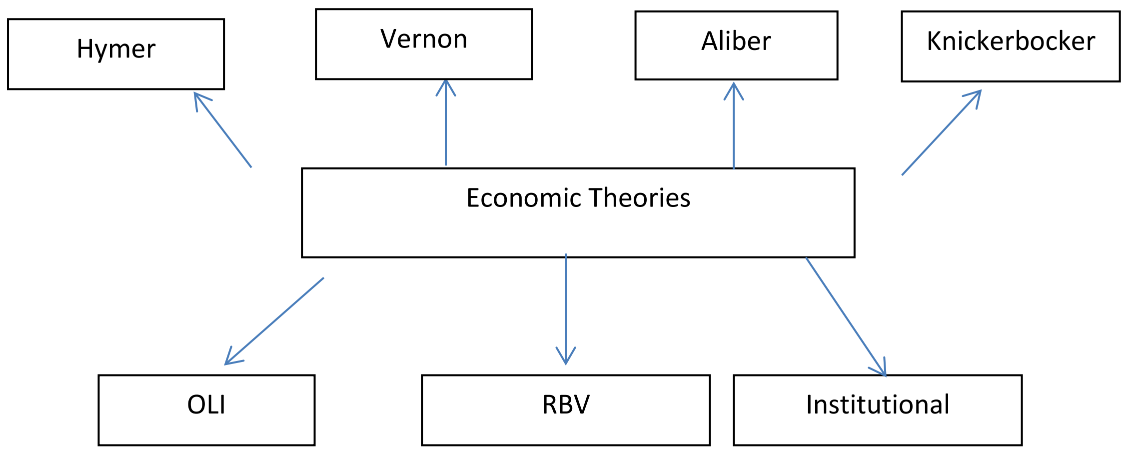
The development of the literature between these three areas is uneven, with the majority of the FDI literature positioned towards the determinants (motives) of FDI. However, there has been more recent development in the literature surrounding the consequences (or spillover) effects of FDI, and in particular, analysing whether these spillovers are positive, neutral or negative. The studies in this area are often fraught with difficulties and inconsistencies. Different approaches (such as the use of panel data or case studies) have contributed to these inconsistencies. The literature on entry modes too often lacks theoretical models, and is more descriptive than the other aspects of FDI.

The first part of the literature review will identify the economic theories and motives, while section 3.2 analyses the non-economic determinants. Following on from this, section 3.3 will cover the entry modes of FDI, and section 3.4 will survey the literature on the consequences of FDI

3.1. Economic Theories and Motives of FDI

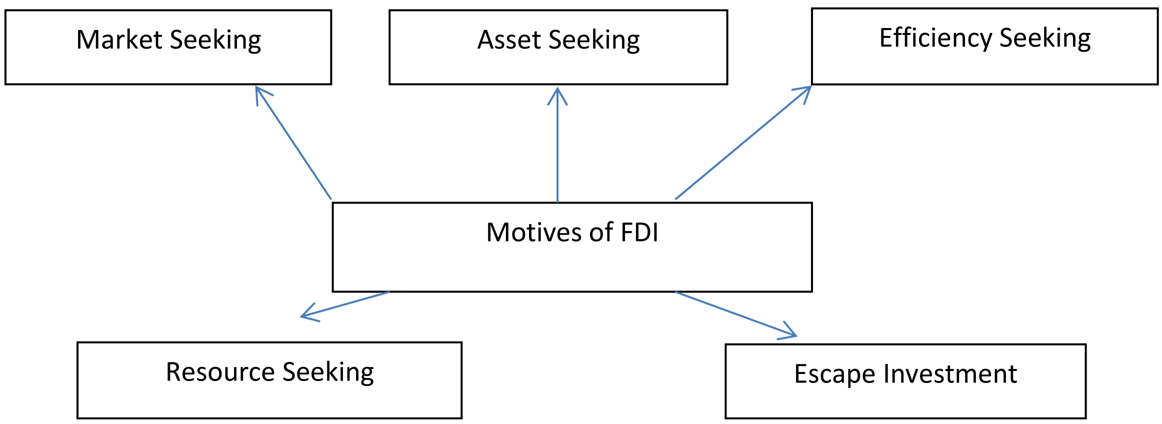
The broad economic motives and theories of surrounding the economic aspects of FDI are summarised in Figure 3.2A and Figure 3.2B.

Figure 3.2A Economic Theories of FDI



These theories have enabled a range of economic motives to be considered. These are shown in Figure 3.2B.

Figure 3.2B Economic Motives of FDI



3.1.1 Economic Theories of FDI

Figure 3.2A highlights the main economic theories of FDI. The development of the first of these theories, such as Hymer began during the 1960's. Prior to the development of the earliest theories, Dunning & Lundan (2008) point out that FDI theory was explained in terms of portfolio capital movements, various country specific factors, gains from vertical and horizontal integration, and international capital movements linked to entrepreneurship. As a result there was a limited literature in terms of the formal FDI theories, and it would be the intervention of Hymer (1960, 1976) which would encourage other researchers to enhance the understanding of FDI theory (Dunning & Lundan, 2008).

Hymer (1960, 1976) argued that there were three areas of weakness in the existing theory surrounding portfolio capital transfers to explain multinational activity. Firstly, he argued that once elements surrounding risk and uncertainty were included in portfolio theory, many of its predictions were invalid. These imperfections effected behaviour, performance, and strategy of firms in supporting their overseas markets. Secondly, FDI involved the transfer of a package of resources including technology, management skills, and entrepreneurship, and was not simply just a financial transaction. Thirdly, indirect investment through a market necessitated a change in ownership, but FDI did not involve any changes in the ownership of resources. This was unlike indirect investment which did require a change through the transaction taking place via a market (Dunning & Lundan, 2008).

The approach developed by Hymer (1960, 1976) moved the analysis of the multinational firm to one based around industrial organisation theory as opposed to the narrow confines of a neo-classical approach (Rugman & Dunning, 1985). Firms must possess ownership of a foreign value-adding entity, and the firm must hold some form of advantage in terms of cost, financial, marketing or innovation, which are specific to their ownership. These advantages must also have been greater than the disadvantages faced by competing with organisations from the host economy. As these advantages highlight a form of structural market failure, firms will have to hold some form of proprietary or monopolistic advantage (Dunning & Lundan, 2008).

Following the work of Hymer, Vernon (1966) applied the product life cycle concept to the multinational behaviour of US firms. The theory was based upon the notion that the ownership advantages held by North American firms were influenced by the structure and pattern of factor endowments, institutions, and markets in the home country. Vernon argued the product was initially completed for use within the domestic market. However, at the later stage of the product's life cycle, it would be exported to another market, and the ability to export was driven by the innovation and production advantages held in the home market (Dunning & Lundan, 2008). Such advantages would be influenced by the factor endowments, institutions, and markets available within the home market. At a later stage of the product life cycle, there is more scope to export, as consumer demand becomes more price elastic. As the demand becomes more elastic, the level of labour cost generated by the firm is of critical importance. In order to minimise these costs, more ‘value-added’ operations can be placed in a foreign market. Hence, the product can then be exported back to the home market (Dunning & Lundan, 2008).

However, life cycle theory has some shortcomings which limit its applicability to the context of FDI. The theory is strongly related to the pursuit of markets by organisations, and does not relate to other forms of FDI (such as seeking assets). Secondly, the increasing geographical scale of MNE activity, plus the increasing convergence of developed markets further limits the applicability of the theory (Dunning & Lundan, 2008). The theory was developed by using North America as the home economy, and different economic conditions across other markets may mean that the theory was also not applicable to all FDI cases. Indeed, this raises a question as to whether firms do behave in the manner suggested by Vernon’s theory.

Using the earlier work of Hymer (1960), Aliber (1970) sought to explain the process of FDI through the influence of exchange rates. The fundamental argument made by Aliber (1970) centred on the ability of firms from countries with strong currencies being able to borrow and access capital more cheaply than those firms from nations where the currency was weaker. In addition, it was also argued that imperfections in the foreign exchange markets, enabled firms to make gains by purchasing or selling assets in an under or overvalued currency. However, such a theory is regarded as an extension of the portfolio capital theory, rather than a specific FDI. This is due to the theory focusing on capital and exchange markets rather than aspects directly linked to foreign production (Dunning & Lundan, 2008).

Another of the early theories concerning FDI was devised by Knickerbocker (1973). Knickerbocker utilised oligopolistic reaction to understand why firms followed their rivals into overseas markets. A firm investing overseas will enhance the likelihood of its rivals extending into the same markets. This behaviour was particularly apparent when investigating oligopolistic markets (Head et al, 2002). There is mimetic behaviour with firms in this type of market, as they sought to replicate the behaviour of other firms in the market in order to protect their market position, and to minimise risk. Indeed, this is a feature which relates it to institutional theory. Thus, it was not only locational variables which are important in influencing the direction of FDI, but the strategic response (from firms) to the locational variables (Dunning & Lundan, 2008).

Dunning (1976) sought to combine some of the earlier aspects together in order to create a theory fully explaining FDI activity. The OLI (Ownership, Location, and Internalisation) paradigm brought together international trade theory and internalisation theory, synthesising the motives for organisations to become multinational organisations. In order to become a multinational, firms must find it profitable to combine their ownership and internalisation advantages with the locational advantages offered by a specific country (Ali et al, 2010). If the three advantages cannot be combined to generate profits then the FDI activity should not be undertaken.

The purpose of the paradigm was to offer a general framework, which might provide an understanding, not only of the pattern of FDI undertaken by a countries' own organisations, but also explain the volume of FDI undertaken by foreign organisations (Dunning & Lundan, 2008). There are three factors which underpin the OLI paradigm. Firstly, the competitive advantages held by firms of one particular home economy over another in a host market. These advantages arise from the either, ownership, access to "income-generating" assets, or from a firm's ability to coordinate these assets more efficiently compared to their competitors. Secondly, the paradigm considers the extent to which firms internalise their markets in order to generate or use the assets they hold, and in the process adding value to these assets. Finally, the paradigm focuses on the extent to which firms locate their value-adding activities outside their home market (Dunning, 1998, 2001).

When a firm decides to become multinational it must have advantages over those firms who already operate in the host economy. These advantages are necessary to compensate the firm when dealing with the additional costs of becoming multinational, such as dealing with foreign regulations (Ali et al, 2010). These advantages can take a variety of forms, including patents, technical knowledge, management skills and reputation etc. They therefore have both tangible and intangible elements (Ali et al, 2010, Faeth, 2009).

Ownership advantages have been split into three groups, ownership-asset advantages, economies of common governance, and institutional factors (Lundan, 2010). Ownership asset advantages refer to property rights in the intangible advantages outlined above. However, these advantages can also be expressed in the form of product innovation, and accumulated experience in marketing or finance (Dunning, 1988). These assets are considered as rare and difficult to imitate (Peng, 2001). The second group of ownership advantages refer to the economies of common governance. These advantages are created through the advantages of scale. The final group relates to institutional aspects which govern processes within the firm, including codes of conduct, corporate culture and incentive systems (Lundan, 2010).

The second aspect of the OLI paradigm relates to *locational advantages*. FDI is concentrated more in some regions and economies than others. The ten most popular host economies for FDI during the 2008-2012 period are shown in Table 3.1:

Table 3.1: Top Ten Host Economies for FDI from 2009 to 2012

Rank	2009	2010	2011	2012
1	USA	USA	USA	USA
2	China	China	China	China
3	France	Hong Kong	India	Hong Kong
4	Hong Kong	Belgium	Hong Kong	Brazil
5	UK	Brazil	Brazil	British Virgin Islands
6	Russian Federation	Germany	Australia	UK
7	Germany	UK	British Virgin Islands	Australia
8	Saudi Arabia	Russian Federation	Singapore	Singapore
9	India	Singapore	Russian Federation	Russian Federation
10	Italy	France	UK	Canada

(Sources: World Investment Report, 2010, 2011, 2012 and 2013)

Table 3.1 contains the top-ten host economies for FDI between 2008 and 2012. Over this period, the United Kingdom has appeared in the top ten in each year, in contrast to competitor EU countries such as Germany and France. The United Kingdom was also the most popular EU destination for FDI in 2011 and 2012, indeed in both years it was the only EU member state to be in the top ten host economies. The question of what makes a particular location attractive to foreign investors is therefore crucial.

Traditionally, location advantages have centred on political and economic factors. FDI was attracted to a location through factors such as political stability, low risk, large population size, and high gross national product (GNP) (Sethi et al, 2003). Other features such as a lucrative (i.e. wealthy) market, liberal government policies, a skilled and flexible labour force, strong technological infrastructure and cultural proximity have all influenced location choice (Reuber et al, 1973). Market growth, low barriers to trade, reduced production and transportation costs, and the host government's law, and tax rates have all been influential when deciding upon FDI location (Dunning, 1994). Those countries which are perceived as being more open have attracted more FDI. In support of this notion, Quazi (2007) also found a favourable domestic investment climate was important in attracting FDI. Finally, exchange rate stability has also influenced location choice (Blonigen, 2005).

Agglomeration effects, too, influence FDI, and the resultant herding behaviour of multinational firms. This situation may be due to imperfect information surrounding country choice. With imperfect information, firms view the decisions made by other multinationals as a signal about the appropriateness of a location. There is a similarity in this approach to the mimetic behaviour of MNE's as noted by Knickerbocker (1973). Agglomeration effects also create positive effects when firms located close to others, due to the presence of positive cluster spillover effects which could be generated (Campos & Kinoshita, 2002).

Another influential feature of locational choice refers to the competitiveness of a particular region. A MNE may well begin the process of FDI by targeting a particular economic bloc (such as the EU). Once this has been completed, the MNE can then target a group of EU member states, before moving towards particular countries and regions. These choices can be partly influenced by the competitiveness of individual regions. This competitiveness can be influenced by demand conditions, future potential, productive efficiency, and availability of strategic assets. Furthermore, the influence of demographic, economic, and market conditions is also important in this aspect (Fallon & Cook, 2014).

Such discussions have revealed less about the relative importance of these host country factors. The theory does not rank the importance of the factors relating to locational advantages. Some studies do not even take into consideration all of the factors outlined (Sethi et al, 2003). Indeed, Ali et al (2010) argued that different locational advantages will affect different types of FDI. For instance, market seeking FDI might be affected by tariff rates, but other forms of FDI are not be as dependent on this particular factor. To add to the complexity of this issue, Dunning (2001) stated that any factor can be considered as a locational factor if it affects the profits of setting up a production process in a host economy.

The final part of the OLI paradigm consists of internalisation advantages. A firm which engages in FDI will not only have specific ownership advantages, but to get the greatest benefit from these advantages, it will need to ensure that these advantages have been internalised within the organisation and not sold or licensed to another firm (Ali et al, 2010). In particular these advantages refer to elements such as transaction costs and technology, with the firm aiming to lower transaction costs and minimize technology loss (Faeth, 2009). Internalisation is needed if the firm is to exploit market failure, and engage in foreign production. It also reduces search and negotiation costs, moral hazard costs and adverse selection, and the costs of broken contracts. Internalisation also enables the firm to control supplies and conditions of sale, and market outlets. Finally, buyer uncertainty could be reduced with sellers of interdependent activities captured, and product quality protected (intermediate or final) (Dunning & Lundan, 2008).

The OLI paradigm has been the dominant economic model behind FDI, and it is an obvious framework to consider for the analysis of football related FDI in the Premier League. The weakness in the model, however, as Dunning (2001) himself suggested is that the paradigm can be considered as a “shopping list of variables” due to the large number of different factors included in the model. Ali et al (2010) have argued that empirical testing needs to be undertaken in order to identify which of the variables have the most importance (Ali et al, 2010). But despite these weaknesses, the OLI paradigm has generated a framework to understand why a firm will engage in foreign production rather than exporting (Dunning, 2000; Oxelheim et al, 2001).

Although resources in the host economy may attract FDI, resources in firms themselves may influence outward FDI. There is a need therefore, to develop those relating to firm capabilities (RCM-Resources, capabilities and markets approach). This particular approach was used in Dunning & Zhang (2008) as a method of understanding the locational choices made by multinational firms. The approach was grounded in traditional economic theory, which has emphasized the importance of these aspects in determining economic welfare. Firms possess resources, which are valuable, rare, and difficult to imitate. In this case resources have enabled firms to develop competitive advantages (Penrose, 1959). This does not solely relate to possession of these resources, as the firms have also been able to grow existing resources, as well as acquiring more resources. Thus resources can be considered dynamic in nature.

In the development of the FDI literature, Peng (2001) has also found international knowledge and experience to be an important resource which enabled firms to engage in FDI activity. This was a further development of the resource based theory, as it does not solely concentrate on physical assets. Resources are considered particularly important as they will augment the ownership advantages of the firm. The augmentation of these assets then allowed a firm to engage in multinational activity. Recently, Driffield et al (2013) has sought to include political capital within the resources held by the firm.

The RCM approach outlined by Dunning & Zhang (2008) is shown in Table 3.2:

Table 3.2 Resources, Capabilities and Markets

Part Of RCM	Includes
Resources	Natural resources, Created Assets
Capabilities	Intangible assets, Organizational capacity and governance , Vision/judgement in strategic decision-taking, Ability to frame and execute appropriate policies
Markets	Information/knowledge/availability of both domestic and foreign markets, Ability to tap into, exploit and coordinate markets, Understand and cater for specific (e.g. localized) needs

(Source: Dunning & Zhang, 2008, p6)

Whilst resources have already been explained, Dunning & Zhang (2008) highlighted capabilities to refer to mostly intangible assets such as education, skilled labour, and accumulated experience. Additionally, intangible assets also referred to the decision making process undertaken within the organisation. In relation to markets, Dunning & Zhang (2008) considered information and knowledge surrounding domestic and foreign markets (for both product and factors of production) to be important. Finally, some questions are raised as to the relative importance of RCM factors. For example, institutional factors were found to be more of a positive influence on the direction of FDI than the RCM factors (Dunning & Zhang, 2008).

A relatively recent development in the literature has been to consider institutional theory as a determinant behind FDI flows. Institutions set the rules of the game in a society. These institutions will contain humanly devised constraints which will shape the interactions made between humans (North, 1990). Institutional factors have been considered along with other economic factors as being more important than labour costs or the availability of natural resources (Hatem, 1997). Good institutions help to lower the cost of economic activity which also Increases profits (Ali et al, 2010).

Initially, Wheeler & Mody (1992) grouped a number of institutional variables including political risk, quality of the legal system, and corruption into a single variable, and found that they had no influence on the location decisions made by multinational firms from North America. In countries with strong infrastructure, specialized suppliers, and an expanding market, agglomeration factors were of greater importance (Wheeler & Mody, 1992). However, this study helped to establish some of the influential institutional factors which could attract FDI.

In contrast to Wheeler & Mody (1992), the importance of institutional quality in attracting FDI was indicated by Henisz (2000), Henisz & Williamson (1999), Mishra & Daly (2007), Benassy-Quere et al (2007), Blonigen (2005), Daude & Stein (2007), and Ali et al (2010). When investigating different sectors, Ali et al (2010) found institutional quality matters for FDI for both the manufacturing and service sectors, but is less important for FDI which is directed towards the primary sector. The study by Mishra & Daly (2007), which focused on outbound FDI, suggested that the quality of institutions in the host economy affected the level of FDI flowing from the source country. Moreover, Blonigen (2005) further noted the relationship between poor institutions and poor quality infrastructure, which acted as a deterrent for FDI flows, not only from an institutional perspective but also from a locational view. The quality of institutions in the home market has also acted as a factor which has pushed FDI out of a particular country. Firms have also viewed institutions within their home market as being a constraint. Where this is the case, these investments were viewed as an escape from institutional weaknesses and restrictive government policies within the home market (Witt & Lewin, 2007, Dunning & Lundan, 2008).

Property rights are argued to be one of the most significant factors which influence FDI flows. A country which has weak property rights carries a greater threat of expropriation (Henisz, 2000, Ali et al, 2010). This deters FDI flows, and Ali et al (2010) have argued that where this is the case a country's legal and judicial system should be strengthened. In particular, intellectual property rights, as part of property rights were suggested by Du et al (2008) to be a factor of institutional importance. The notion of property rights was also compared to the democratic system. An increase in the level of democratization will lead to an increase in the level of property rights (Li & Resnick, 2003).

Political Risk can also influence the location of FDI (Busse & Hefeker, 2007, Du et al, 2008, Pajunen, 2008, Chang & Lu, 2013, Hayakawa et al, 2013). For instance, Du et al (2008) argued that US multinationals were more likely to invest in areas of China where the local government was less likely to interfere with their operations. Political stability, law and order, and quality of bureaucracy were highlighted by Busse & Hefeker (2007) as being the most important components of political risk, and therefore critical in influencing FDI. Stable government, low corruption, and weak bureaucracy were noted by Mishra & Daly (2007). Additionally, democratic accountability, chance of internal or external conflict, religious tensions, and ethnic tensions have been suggested as key influences of political risk by Hayakawa et al (2013). The nature of a country's judicial system was also highlighted to be a factor which influenced political risk (Pajunen, 2008). Essentially a country which has government instability, excessive regulatory burden, unpredictable policies, and a lack of commitment from the government towards FDI, is considered to be less attractive to foreign investors (Daude & Stein, 2007).

However, political risk levels have been considered less important when the global capital flows were larger. This was for two reasons. Firstly, the presence of diminishing returns to capital, and secondly, investment opportunities in countries with lower political risk have become more scarce (Meon & Sekkat, 2012). This highlights the role of dynamic evolution in firms' investment strategy, as they are forced to consider investing in more and more risky markets. Another feature of this part of the literature is the tendency to focus on the political risk in emerging nations rather than developed nations. Indeed, Pajunen (2008) notes that some regions are more dependent on a stable political environment than others in attracting FDI.

Corruption has been shown to have a negative effect on FDI flows into a country (Hayakawa et al, 2013, Du et al, 2008, Wei, 2000, Pajunen, 2008, Benassy-Quere et al, 2007). In terms of locational influences, Du et al (2008) stated North American multinationals chose to locate in areas where government corruption was lower. Conversely, there is a view that the level of corruption does not influence the level of inbound FDI (Egger & Winner, 2005, Kolstad & Villanger, 2004). This is particularly the case for those countries which are non-OECD member states as they often attract vertical FDI flows which have been driven by the desire to access lower wages (Egger & Winner, 2005). These arguments suggest locational factors, such as cheap wage costs will be more influential in the FDI decision than the level of corruption which is present in a host economy. However, this argument focuses upon developing nations rather than developed nations where horizontal FDI flows are more prominent.

Whilst excessive regulations in both the home and host market have been mentioned as being influential in the directing of FDI flows (i.e. Busse & Groizard, 2008), a further aspect of regulation deals with the strength of particular regulations. Specifically, this relates to regulations concerning taxation, labour and environmental issues. In terms of tax, those countries with lower tax rates have might be more attractive to multinational firms than those with higher rates (Benassy-Quere et al, 2005, Mogab et al, 2012, Bellak & Leibrecht, 2009). This relationship between taxation and its impact on FDI is more complex, as there are both direct and in-direct forms of taxation which can affect the tax burden placed on a MNE (Desai et al, 2004).

A second regulatory aspect identified has been labour regulations. The literature on labour market regulations suggests that those nations which have more flexible labour market regimes are more attractive to foreign multinationals (Mogab et al, 2012). Both, Javorcik & Spatareanu (2005) and Gorg (2005) have provided evidence of restrictive labour market regimes being a disincentive for multinational firm's activity.

3.1.2 Economic Motives of FDI

With the key theories of FDI established, a range of motives surrounding the behaviour of multinational firms can now be established. These motives are linked to some of the aspects detailed within the FDI theory. For example, the notion of market seeking, strategic-asset seeking, efficiency seeking, and resource seeking FDI comes from the development of the OLI paradigm. Also, a further motive of FDI concerns, the desire to 'escape' weak institutions in the home market, and such a motive is based upon the understanding of institutional theory, and how it impacts upon FDI.

Market seeking FDI was defined by Bitzenis (2003) as 'market hunting FDI' or 'strategic market hunting'. Those who sought to enter a market due to advantages such as market size or growth were defined as market hunters, while those who sought to take advantage of weak competition, or escape strong competition in the home market were considered as strategic market hunters. This also has elements of overlap with other forms of FDI theory, as Bitzenis (2003) has shown instances of mimetic behaviour also present within this approach.

Market seeking FDI is now considered by many as the most prominent determinant of FDI. Market seeking FDI is driven by the desire of multinational firms to access better markets, which is linked to proximity issues, agglomeration, and the desire to minimise distance costs (Thomsen, 2000, Loewendahl, 2001). Strong growth prospects of regional and adjacent markets were considered as being influential in attracting this form of FDI (Dunning, 2002, Billington, 1999, Wheeler & Mody, 1992). Market seeking FDI has also been influenced by a multinational firm's desires to safeguard existing markets or to create new markets (Dunning, 2002). This form of FDI also enables firms to access complementary assets in terms of technology and management skills. These assets can then be used to enhance the quality of the final product through the usage of better quality inputs (Dunning, 1994). Firms from emerging markets have used this form of FDI to undertake trade support activities. For these firms the importance was to gain access to export markets or distribution networks (Buckley et al, 2007). Factors such as a high quality of infrastructure and low transport costs were also identified by Fallon & Cook (2009) as being important in influencing the location of this type of FDI.

The second motive derived from the OLI paradigm concerns FDI which has been motivated by the desire to access strategic assets. This form of FDI takes into account strategic considerations which go beyond the immediate value of the asset itself. Indeed, Franco et al (2010) argued that seeking assets is simply a "residual" item, where those aspects which do not fit with the other motives of FDI are placed.

Strategic asset seeking FDI tends to be framed in the context of multinational firms seeking to acquire particular technologies or managerial know-how (Fallon & Cook, 2009). Assets could also be acquired in terms of knowledge or intellectual property. However, Buckley et al (2007) also suggest that asset seeking FDI was a subgroup of resource seeking FDI. Outward FDI from some emerging markets has also targeted particular Western Brands e.g. Bright Foods and Weetabix. Finally, a MNE can also acquire access to different cultures, consumer demands, systems, and preferences (Dunning, 1998). This wide range of factors illustrates the earlier concerns of Franco et al (2010) about the “residual” nature of strategic asset seeking FDI.

Firms following an asset seeking alternative might be argued to be going multinational “without advantage” (Franco et al, 2010). In the case of asset seeking FDI, MNE’s seek to augment their limited ownership advantages (Dunning, 1998). Furthermore, the direction of this form of FDI has been different to other forms of FDI. The location of most strategic assets, particularly those relating to technology has been concentrated within developed economies (Fallon & Cook, 2009). It is less common for this form of FDI to be directed towards emerging nations as they do not have the same asset base currently as developed nations. It has also been common for government backed organisations (such as sovereign wealth funds or state owned enterprises) to engage in this form of FDI. Indeed, this form of FDI has been common in the outward FDI flows from China and other emerging market economies (Buckley et al, 2007).

The third motive developed by Dunning (1994) was Efficiency seeking FDI. This is motivated by investing companies looking to locate in lower cost countries, with a particular focus on those countries which have a lower level of labour costs (Buckley et al, 2007). This form of FDI is also used in order for investing firms to generate access to economies of scale, specialization, or potential synergies (Fallon & Cook, 2009). Such FDI not only allows an organisation access to a foreign market, but it also allowed a firm to access sources of supply as a result (Dunning, 1994). The direction of this type of investment can be influenced by a range of factors related to quality and quantity of labour and labour costs. Productivity, skills, and cost of labour can all determine the location of efficiency seeking FDI, alongside the industrial relations regime of a country (Fallon & Cook, 2009).

It is possible that countries with higher levels of productivity can overcome situations where the host country has high labour costs (Ford & Strange, 1999). The conventional thinking was that high labour costs would deter inbound FDI, but this may not be the case if there are high levels of productivity (Billington, 1999). Dunning (1998) suggested that the role of government, through education and training programmes is beneficial in trying to attract efficiency seeking FDI. Several studies including Porter (2003) and Dunning (1998) made reference to the notion of clustering as a factor which influenced efficiency seeking FDI as this encouraged innovation and helped to create an entrepreneurial environment.

Resource seeking FDI has been motivated by the desire of a multinational firm to acquire specific resources at a better quality or lower cost than is possible in their home market (Dunning & Lundan, 2008). This form of FDI has often been associated with the search for natural resources (i.e. Fallon & Cook, 2009, Buckley et al, 2007). Those multinational firms and investors, who engage in FDI in order to access natural resources, not only do it to augment their supply of resources, but they have also sought to provide security in supply, for example in the seeking of fossil fuels (Dunning & Lundan, 2008). According to Dunning (1994) this form of FDI has enabled multinational firms to access complementary assets (similar to market seeking factors), with these assets being used to enhance the quality of the product provided.

Resource seeking FDI has not always been associated with the desire to obtain natural resources. Multinational firms have used resource seeking FDI to obtain access to cheaper labour, or to obtain particular technological capability, management or marketing expertise, and organisational skills (Dunning & Lundan, 2008). Multinational firms which have engaged in this form of FDI have also been described as factor hunters. Multinational firms have also used this form of FDI to develop an export base, and to engage in intensive production. Finally, the quality of infrastructure was also important in influencing the location of this type of FDI (Dunning, 1998).

The final motive concerns the ‘escape investment’. FDI relating to assets is not solely asset-seeking. In cases of institutional weakness, investors have sought to escape their home market in order to protect the assets they control (Dunning & Lundan, 2008). As a result, this is known as an ‘escape investment’ and is directed to countries with stronger institutions than the investors’ home market.

But do these motives have a higher purpose? Whatever the specific motive of FDI, Bitzenis (2003) has noted that the overall objective of FDI is to achieve greater profits. Market seeking, and in particular, the access to larger markets is potentially beneficial for firms in terms of profits, as sales revenues will be higher. Likewise, the targeting of lower cost locations (for labour or materials) also presents potential advantages in terms of profits (Sethi et al, 2002). FDI location in these lower cost regions can replace weaker performing external or domestic markets (Buckley et al, 2007). The strong emphasis on profit-seeking motives has been reinforced by FDI being initially undertaken by mostly private firms, based in Japan, North America, and Europe. As these firms were not state controlled the incentive to engage in FDI has been assumed to be motivated by the desire to protect or enhance profits.

Profit can be generated in various forms through the engagement in FDI. They can be accrued by an MNE in the long, medium, or short-term, and moreover, these profits can also be generated through direct or indirect means through various channels (Bitzenis, 2003). Profits would be expected to be lower in the short-term as the investment takes hold, in the long-term, the opportunities for sale of a foreign subsidiary offer potential profit gains, alongside enhanced sales. The notion of indirect profits, which could accrue to other parts of the business, implies that other benefits from being multinational must be present (i.e. political influence, or benefits in securing contracts).

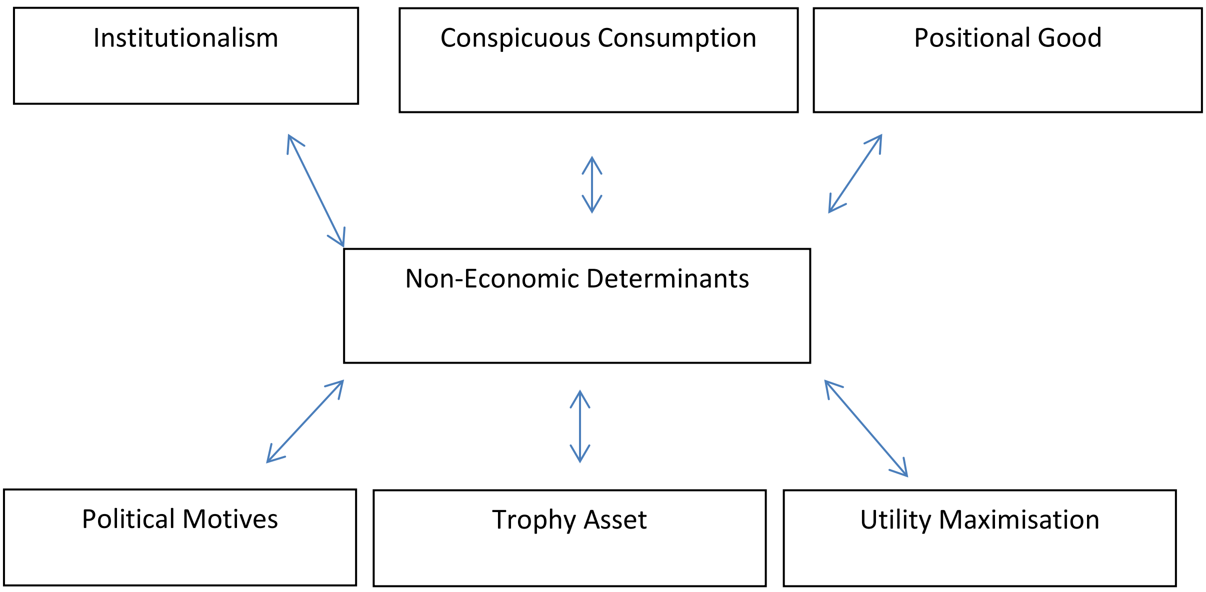
However, as profit is considered as implicit behind many theories of FDI the discussion of this aspect within the literature has not been as extensively deconstructed as the other theoretical constructs. In fact, there has been more discussion surrounding issues concerned with 'profit shifting' and tax benefits held by MNE's through the FDI process (i.e. Krautheim & Schmidt-Eisenlohr, 2011).

But is FDI activity always based around economic motives and the pursuit of profit? This chapter will now consider the potential non-economic motives of FDI.

3.2 Non-Economic Motives of FDI

The potential non-economic motives behind FDI are shown in Figure 3.3.

Figure 3.3: Non-Economic Determinants of FDI



In order to explore the gap in the FDI literature surrounding non-economic aspects of investment, Figure 3.3 shows a range of aspects relating to the possible non-economic basis of FDI.

Discussion of these aspects has been more evident in institutional theory. In the past institutional theory has been related to FDI very much in the economic sense, although other issues surrounding law and culture are influential (Dunning & Zhang, 2008). In addition to this aspect, theories surrounding the positional good aspect (Hirsch, 1976), conspicuous consumption (Veblen, 1899), political motives, and the trophy asset (Hamil & Walters, 2010) are established approaches which consider the non-economic aspects of decision making. These have particular relevance to sport given the symbolic status of the sports industry. These factors will now be considered in-turn.

3.2.1 Institutions Reconsidered

In the previous section, institutions were defined in light of the economic motives of FDI, but they can also be considered in relation to the non-economic motives of FDI. Institutions can be classed as being both formal and informal (Dunning & Zhang, 2008, Ali et al, 2010). They are also subject to a range of enforcement mechanisms. Table 3.3 shows the institutional framework as depicted by Dunning & Zhang (2008)

The definition of institutions has caused some debate within the literature. On one hand, institutions are considered as the organization or as the state, while on the other institutions can also refer to the behaviour and culture of a population. Institutions also relate to the different elements of rules, with norms of behaviour, social conventions, and legal rules all considered as institutional factors.

Table 3.3 Institutions

Forms	**Areas of Institutional Influence (in the commercial domain)**
Formal Institutions: Constitutions, treaties, laws, regulations; provision for learning, upgrading cognition, knowledge, etc.	Economic adjustment and stabilization Intellectual property protection Strengthening economic motivation/entrepreneurship
Informal Institutions Tradition, cultural mores, trust, goodwill, reputation	Rule setting and societal guidance (e.g. reduced crime)
Enforcement mechanisms Less formal: self-regulation, fear, retaliation, blackballing More formal: Incentives/penalties, fines, enforced transparency, cancellation of contracts, imprisonment, etc.	Promotion of entrepreneurship and competitive market structure. Adequate and effective financial institutions Education and training upgrading Security of people and physical assets Innovatory development Incentives/regulation of FDI Social equity and access to opportunity

(Source: Dunning & Zhang, 2008, p8)

The institutional field offers a theoretical framework for studying how institutions, which are prominent in an economy, evolve and emerge to affect the behaviour of individuals within it (Rossiaud & Locatelli, 2010). Institutions are features that can constrain or enable the behaviour of individuals. However, the presence of constraints also opens up further possibilities, in the area of regulation, in-effect enabling freedom (Hodgson, 2006). In the sporting sense, the sports league, sports club, and sports culture can be considered as institutional factors alongside elements of regulation. This wide range of constructs highlights why a number of studies have not defined institutions precisely due to the difficulty in creating a definition. As a result, these studies tend to focus on “practical matters” (Hodgson, 2006) rather than theoretical models.

Hodgson (2004) divided institutionalism into two categories, old and new institutionalism. Old institutionalism refers to the development and evolution of key institutions, plus the use of psychology. This considers how institutions shaped the mentality of individuals. New institutionalism was initially developed by Williamson (1975), through his analysis of the firm using transaction costs. This theory considers the behaviour of individuals and their interactions, before giving an explanation of institutions (Hodgson, 2004).

Some new institutionalism has helped to generate different perspectives, with a rejection of rational-actor models, the use of cognitive and cultural explanations, and the use of institutions as independent variables (Selznick, 1996). Selznick (1996) has also made reference to "institutional isomorphism" where organizations modelled their behaviour on similar organizations in their industry or field, which they perceive to be more successful.

3.2.2 Conspicuous Consumption

One of the arguments presented by Veblen (1899) considered the nature of purchases and social status. Through an understanding of the institution of the leisure class, Veblen devised the theory of conspicuous consumption. The theory suggests that the purchasing of goods and services is driven by the social hierarchy, with the individual electing to replicate the purchases made by members further up the hierarchy (Trigg, 2001). Such a construct has not been linked directly to FDI; however the purchases of certain companies would help to reflect an individual or an organisation's status.

Conspicuous consumption is based upon the presence of a leisure class whose members extract a surplus from the working class. As a surplus is produced, Trigg (2001) suggests that the relationship between social status and private property becomes more important. An individual obtains property in order to protect their good name (Veblen, 1899). A hierarchy will now develop, with those having no property (and thus no social status) at the bottom of the rung (Trigg, 2001). Those individuals who own some property will then develop esteem from this. Wealth can be transformed into status, and Veblen (1899) noted that wealth can be displayed in two ways: extensive leisure activities and through the consumption of goods and services. 'Veblen effects' are present in goods when a more expensive price is paid for a functionally equivalent good (Bagwell & Bernheim, 1996).

There are, however, problems with this theory. The consumption patterns of individuals are often associated with lifestyles, which may not relate directly to the social hierarchy of an individual. A postmodern perspective, does not consider that lifestyles can only be shaped by income, which will affect the position in the social hierarchy. Secondly, the theory is too reliant on the trickle down of consumption from the top of the hierarchy to the bottom. Trigg (2001) suggests that consumption patterns can be led by those at the bottom of the hierarchy and not just at the top. Finally, it has been argued that wealth is not always displayed through conspicuous means, as status can be displayed through more subtle means such as charity activities (Trigg, 2001).

But the role of conspicuous consumption is particularly important in analysing sport. There are some sports which are more conspicuous in nature, and this is driven by differences in television coverage and global interest. Football and Formula One are two sports where wealthy investors have sought to take control of competing teams. In contrast, cricket and rugby has not attracted the same profile of investors. In both football and Formula One, the level of television coverage is for a global audience, but for cricket and rugby leagues the coverage is often much more localised, though recent developments in may be globalising them, i.e. the Indian Premier

League (IPL). However, even in the case of the IPL, the level of global markets taking an interest is much smaller than English Premier League football.

As a result, the status that can be derived from owning a football club is greater than owning cricket or rugby teams. Sport is an effective mechanism to display wealth as an investor purchasing a team will often have their name referred to in relation to the club, and this can be used to enhance their own image and profile. A further implication of this theory is that an investor will seek to choose a larger club in a prominent league. This will give them greater benefits, and this fits into the luxury good argument specified by Veblen. An investor might select to purchase a smaller lower league team, but this would not give them the same benefits as a Premier League club. Hence a Premier League club is more conspicuous type of 'conspicuous consumption'.

3.2.3 Positional Good

Although the conspicuous consumption theory identified how purchasing habits could reflect status, the theory of positional goods displayed how particular goods have certain positional attributes which made them desirable, which also enabled the enhancement of status (Hirsch, 1976).

Hirsch argued there were two divisions in an economy, firstly the material economy, which enables the per capita consumption of a material good to increase over a time, and secondly, the positional economy. The latter considers goods, services, relationships, and work positions that are scarce or subject to congestion due to more extensive use. The nature of the positional good suggests that value is created through the desirability of the good. For example, a 'high status job' is a form of positional good. These goods are scarce in terms of supply, so satisfaction can only be obtained by a minority of individuals (Hirsch, 1976). This creates an intense level of competition for these goods. Power and status can be obtained through the acquisition of strategically-scare goods, and this is linked to the sporting context. Sport can be considered as a zero-sum game, with rival teams often spending significant amounts in order to achieve marginal differences in outcomes. Therefore, the success on the field of play can at least be partially considered as a positional good.

While Dymski (2006) has argued that sport is a form of positional good, the competing clubs can also be viewed as 'positional'. For example, only thirty-two clubs across Europe will qualify for the Champions League, and only ten to twelve teams will compete in Formula One. Below this level are hundreds of other teams who compete at lower levels, but do not have access to such competitions. Furthermore, at a national level, in European football leagues only eighteen to twenty clubs can compete in the top division at any one time. Hence these clubs are particularly scarce in terms of their supply. These clubs will be desirable due to the shortage of supply, and the additional benefits in terms of enhanced prestige.

3.2.4 Political Motives

A further aspect to consider relates to political influences behind investment. Political economy is considered as the process of interaction between government and organizations to be dynamic, complex, and interdependent (Luo et al, 2010). The government will set the regulatory framework for an economy, while the competing organizations seem to influence this regulation. Examples of studies which have considered the political economy of FDI flows included Luo et al (2010), Ederington & McCalman (2010), and Tumen & Emmert (2004). Of these studies, Luo et al (2010) focused on the political economy of outward FDI from an emerging market perspective. In relation to emerging economies, it was argued that as these nations are engaged in intense global competition as a result, organizations from these countries have a particular importance to their home government as they are used to promote their home government's social and economic wellbeing.

Since the 1990's there has been an increase in the volume of outward FDI undertaken by firms from emerging markets. Part of this relates to their economic development, and the desire to purchase specific production inputs for use in their own economy. However, such trends were highlighted much earlier in the political economy literature. Several decades ago Bergsten et al (1975) considered the growing importance of oil producing nations and Japan. The development of the post-war global economic system was to the direct benefit of the United States, Canada, and Western Europe, and indirectly for Latin America. However, the development of Japan, and more recently, the BRIC group (Brazil, Russia, India, and China) has changed the structure of this group. Even by 1975, Bergsten et al (1975) noted the rise in importance of economies from the third world. These nations were considered as new actors in the global economy. The later work of Luo et al (2010) concerning outward foreign direct investment (OFDI) and China further discusses the growing importance of the market in the global economy.

The increase in OFDI from emerging markets has seen the pursuit of certain "Western symbols", whether they were particular companies, brands, or technologies. Therefore, an element of reverse colonisation can be considered as taking place as the symbols fall into the hands of organizations from less-developed countries. Moreover, these organisations are often, either, heavily state influenced, or under complete state control. This aspect raises further issues surrounding the security of such investment, and raises concerns surrounding the "true" motivation of such investors, for example, are political motives strictly non-economic? The desire to obtain certain resources implies an economic motivation (to enhance growth), even as access to certain companies or brands can also provide non-economic benefits in terms of status or position.

Having discussed the range of possible motives behind FDI, there is now a need to consider how FDI takes place and what form of entry modes are used.

3.3 Entry Modes

One method with which FDI entry can be defined related to types of investment, and whether this was new, expansionary, or merger and acquisition (M&A). For the United Kingdom, Table 3.4 shows the number of FDI projects undertaken through new, expansionary and M&A.

Table 3.4 Number of Projects by FDI Type from 2010 to 2013 (by number)

Year	New	Expansionary	M&A	Total
2010/2011	724	544	166	1,434
2011/2012	752	506	148	1,406
2012/2013	777	577	205	1,559

(Source: UK Inward Investment Report 2013)

From Table 3.4, it is apparent that the greater proportion of FDI projects in the UK come in the form of new projects rather than expansionary investment or M&A activity. In the literature entry modes have been described more widely. Possible methods of entry include greenfield, brownfield, merger-acquisition, joint ventures, strategic alliances, and franchising. In contrast, the vast majority of FDI entering the Premier League has come in the form of M&A.

The entry mode into football is prescribed through the nature of the football pyramid system. In other industries, transaction costs efficiency, and regulation (Nocke & Yeaple, 2007, Brouthers, 2002, Dunning & Lundan, 2008) have all been shown to influence the type of entry mode chosen by a firm. In football, the only practical method of FDI entry is through merger and acquisition. A greenfield investment is possible, but the club would have to start at the very bottom of the football pyramid, and this would be outside the Football League structure (Noll, 2002). This would not be attractive as the club would have to find and develop its own support base from scratch, and such a process is difficult due to the reluctance of some supporters to switch clubs (Giulianotti, 2002). Other entry modes such as the joint venture or the strategic alliance are not possible as a football club in another country would have to share resources with one in the Premier League. Football clubs are standalone investments (King, 1997).

3.4 Consequences of FDI

When FDI enters a country it is said to benefit the national income of the selected host nation through economic growth, jobs, and technology (Gorg & Greenaway, 2004). An MNE can also provide positive benefits in terms of technology transfer. However, do domestically owned firms benefit from the presence of MNE's? Can they make use of any technology transfers? And if there are benefits from FDI, then who are these benefits for? Also, can the investing firm's home market benefit from outward FDI? This section will now investigate the potential spillover effects arising from FDI.

3.4.1 Productivity Effects

One of the most investigated spillover effects concerns productivity. The literature surrounding the effect of FDI on productivity is not conclusive in terms of direction. Firstly, there are those such as Haskel et al (2007), Liu et al (2000), Keller & Yeaple (2003) and Ruane & Ugur (2005) who had identified FDI to have positive effects on productivity. An increase in foreign presence of 10% will lead to a 0.5% increase in total factor productivity (Haskel et al, 2007). In their study, Keller & Yeaple (2003) suggested that the presence of FDI in North America, led to substantial gains in productivity for domestically owned firms as high as 11%. Furthermore, the presence of foreign owned firms often forced domestically owned firms to make more efficient use of their resources, leading to enhanced productivity (Blomstrom & Kokko, 1998). But is the link between increased productivity and FDI sector specific? Foreign firms have often entered the more productive sectors or plants (Javorcik, 2004, Aitken & Harrison, 1999). The result of this particular strategy is that the relationship between productivity and FDI might be exaggerated (Javorcik, 2004).

The second perspective of FDI and productivity is that the overall effect is neutral. In investigating the UK manufacturing sector, Girma et al (2001) found some host economy firms positively benefitted from the presence of FDI, whilst other domestically owned firms did not, so any positive effects were cancelled out by negative ones. Additionally, no clear pattern existed in terms of the industries which have received positive spillover effects (Harris & Robinson, 2004).

The third perspective suggests that FDI has had a negative impact on productivity, and specifically, has not benefitted domestically owned firms (Mullen & Williams, 2007, Aitken & Harrison, 1999, Konings, 2001). This possibility arises from a number of reasons. The presence of foreign firms in a sector can reduce the productivity of domestically owned firms in the same sector. This was particularly evident when there were high fixed costs and imperfect competition. In addition, foreign owned firms will take demand away from domestically owned firms (Mullen & Williams, 2007). A reduction in productivity and demand, alongside high costs provides a situation where domestically owned firms were might be effectively forced to exit the market. A similar argument was made by Konings (2001), in relation to Eastern European economies. It was argued that foreign owned firms will take market share away from the domestically owned firms due to improved technologies. This will then force the domestically owned firms to exit market as they were replaced by stronger performing firms under foreign control. Furthermore, any benefits which are brought about by FDI, such as improved technology are outweighed by the negative effect on domestic competition (Konings, 2001). Finally, Aitken & Harrison (1999) suggested the choice of higher productivity sectors and firms by foreign owned firms, is harmful to other domestically owned firms in the host economy. It is also possible that negative productivity spillovers can also be created by the ability of a multinational to withhold their technology. If the multinational can internalise technology or firm-specific advantages then no spillovers can occur (Gorg & Greenaway, 2004). Domestically owned firms also face challenges in terms of being “crowded” out by foreign owned rivals (Driffield, 2004).

Where productivity effects are positive or negative, to what extent are they static “one-off” effects or dynamic? Domestically owned firms may not able to immediately use the technology brought into a sector by foreign owned firms, and this will restrict their ability to generate productivity spillovers in the short-term (Gorg & Greenaway, 2004). Moreover, there are differences in the short and long-term. In the short-run, domestically owned firms will see a decline in productivity prior to an increase in the long-run (Liu, 2008). In contrast, Jin et al (2013) argue productivity will capture short-run improvements in technical and allocative efficiency. However, such effects can be classed as “catch-up”, as local firms adopt the more efficient techniques used by foreign firms. However, productivity in the long-run can also be enhanced as domestically owned firms are able to assimilate the new technology brought into the market (Liu, 2008). Despite the potential existence of productivity benefits, FDI was shown to a short-term benefit by Jin et al (2013). Using the Spanish economy as evidence, the number of patents applied for by domestic firms decreased, as did the number of new products introduced into the market. So whilst there may have been some benefits in terms of productivity, FDI did not enhance the innovation ability of local firms.

3.4.2 Competitiveness Effects

Even if productivity effects are difficult to assess at the sector or industry level, FDI could alter the competitiveness of host economies (Markusen & Venables, 1999, Blomstrom & Kokko, 1998, Gugler & Brunner, 2007). FDI can act as a catalyst for the development of domestic industry, which in the long-term could lead to the erosion of the advantages possessed by multinational firms (Markusen & Venables, 1999). A key feature was multinational firms bringing complementary assets, enabling domestically owned firms to grow more effectively. FDI also brings assets such as technology, and management skills which were not present within a domestic economy. The presence of these new skills and know-how further enhances the competitiveness of a host economy (Blomstrom & Kokko, 1998). This was supported by Gugler & Brunner (2007), but they argued that enhanced competitiveness was related to high added value investment.

In what other ways can FDI enhance the competitiveness of a host economy? Dunning (1994) argued there were five ways. Firstly, FDI allows firms in the host economy to produce more efficiently through the reduction of costs or increases in productivity. Secondly, FDI enables innovation in production processes, improving existing products, and organisational structures. Thirdly, FDI brings about the reallocation of resources and capabilities which were more in-line with the country's comparative advantage. Fourthly, FDI enables the development and capture of new foreign markets, and finally, FDI reduces the costs of any structural adjustment that followed from changes in global demand and supply conditions. Furthermore, Dunning (1994) suggested FDI provided resources and capabilities, which would otherwise be unobtainable, would boost research and development, stimulate the efficiency of suppliers, raise quality standards, and allows economies to tap into the competitive advantages held by other nations.

Another means of increasing country competitiveness is provided through foreign owned firms being able to enter sectors where the barriers to entry are high. A foreign owned firm will have the resources which enables it to break-up an existing domestically owned monopoly. However, competitiveness in the host economy might not be enhanced. But both, Konings (2001) and Javorcik (2004) have argued that foreign firms can also force weaker domestically owned firms out of a particular market. Thus any positive benefits which multinationals have brought might be outweighed by these effects (Konings, 2001).

3.4.3 Technology

The importance of absorptive capacity in influencing technological spillovers is also an issue (i.e. Gugler & Brunner,2007, Marcin, 2008, Girma, 2005, Kinoshita, 2000) and the importance of technological gaps was brought out by Girma et al (2001), Blomstrom et al (1999), Dimelis (2005), and Blomstrom & Kokko (1998). The technological capability of domestically owned firms is crucial in influencing the type and level of spillover effect which will be present. These studies argue that those firms with small technological gaps viz-a-viz the multinational firm have been better equipped to take advantage of the technology brought into an economy by a multinational firm. In particular, those firms which resemble foreign owned rivals are more likely to take advantage of any technology brought into an economy (Dimelis, 2005). In contrast those firms which have had large technological gaps are not able to take advantage of the technology brought into the market and as a result cannot generate the same level of positive effects. Indeed, the firms which have had large technological gaps (and low skills) are damaged by the presence of foreign owned firms in their sector (Girma et al, 2001).

However, the role of technology in sport is unique. The technology of football is the game itself, and the game can never become obsolete due to technological change (Kuper & Szymanski, 2012). Issues surrounding technological gaps and absorptive capacity for instance are of less relevance. A football club cannot become obsolete because a rival has access to better technology. Likewise, on the field of play, football players cannot be replaced by automated systems.

3.4.4 Wage Effects

Within the literature there is a debate as to how the total level of wage spending should be analysed. There are two measures which have been used: total wage spending, or wage spending as total compensation per worker. The literature tends not to distinguish between different types of workers and the wages which they earn (Lipsey & Sjoholm, 2005). These two elements present a challenge in considering the findings of those studies which investigate wage spending of the multinational, and its impact on other firms. For example, do different groups of employees receive the same benefits or costs from the entrance of FDI into a sector? The study by Driffield & Girma (2003) did make some attempt to address this issue, through looking at the UK electronics industry. They found wage spillovers only existed for skilled workers within this sector. For unskilled workers, there were no wage benefits, hence the distribution of benefits arising from FDI were uneven. This difference was determined by the increased demand for skilled labour, which was driven by new technologies being imported into the host economy by the MNE. For unskilled labour, such technology was considered to be “unskilled labour augmenting”, hence the demand for unskilled labour declines as a result. Furthermore, Driffield & Girma (2003) also argued that there was no guarantee local labour would secure employment at an MNE due to different skill sets requirement.

A substantial part of the literature suggests that foreign owned firms pay higher wages than their domestically owned rivals (Lipsey, 2004, Girma et al, 2001, Conyon et al, 2002, Driffield &

Girma, 2003, Lipsey & Sjoholm, 2005, and Driffield, 1996). However there are disagreements as to why foreign owned firms offer higher wages to employees. One suggestion is that foreign owned firms acquire firms who were already paying above average wages for the industry, hence this explains the difference. While this was acknowledged by Lipsey & Sjoholm (2005), they also suggested that the gap between the average wage for an industry and the wages paid by foreign owned firms is too small to explain the difference. So, could productivity differences play their part? This notion was rejected by Driffield (1999) and Girma et al (2001). Foreign owned firms were shown to pay higher wages irrespective of any differences in productivity. But FDI does not always generate higher wages, as FDI located in areas of high unemployment may not generate higher wages, although it may have positive benefits in terms of employment (Driffield & Girma, 2003).

Having established that foreign owned firms will in most cases pay higher wages to the question is then to what extent does this wage effect spillover to domestically owned firms? Lipsey (2005) noted evidence of wage spillovers to domestically owned firms to be sparse but not conclusive. The study by Girma et al (2001) found no evidence of wage spillovers to domestically owned firms in the UK manufacturing sector. Likewise, Gorg & Greenaway (2001) did not find wholesale support for positive wage spillovers between foreign and domestically owned firms. If foreign owned affiliates offered higher wages than domestically owned firms, then this would be attractive to higher quality workers. Domestically owned firms paying lower wages will only attract lower skilled workers in this situation (Lipsey & Sjoholm, 2005). Domestically owned firms, may therefore, produce inferior products and this will then impact upon the demand for such products.

3.4.5 Regional Effects

The final set of effects considered refer to the effects FDI has had on local regions. Regional spillovers exist in different forms. Firstly, there is the direct contact between a multinational firm and local suppliers. This benefits local firms through improved communication and transport links, brought about by the presence of a multinational firm (Girma & Wakelin, 2009). Secondly, there are benefits in employment and skills (Haskel et al, 2007, Greenaway et al, 2000). If a foreign owned firm continues to increase its level of employment then the positive spillovers generated will be significant. However, if the foreign owned firm or plant stops increasing its employment levels, or reduces employment, then the same level of positive benefit cannot be generated (Haskel et al, 2007).

The effect on skills has been an important consequence of MNE behaviour as they provide training programmes which can enhance the skills of employees from the local region. Where there is restricted regional labour mobility, these effects are beneficial for local employees only (Greenaway et al, 2000). There are also imitation and demonstration effects to local firms (Blomstrom & Kokko, 1996). The arrival of a MNE enables local firms to copy technology, processes, inputs, or the final product which is produced by the foreign firm. Such benefits may not be accrued by those firms which operate outside of the local region. For example, if a domestically owned firm operates in the same sector as a MNE, but in a different geographical location, they do not generate positive benefits from the arrival of FDI. The most prominent benefits go to those firms which operate in the same sector and region as the MNE. Finally, the level of spillover activity is also influenced by the development of the local region FDI has taken place in. For instance, those regions with lower economic development did not generate the same level of benefit from FDI as more developed locations (Girma & Wakelin, 2009).

3.4.6 Reverse Spillovers

The final form of spillover effect does not relate to the effect on domestic firms, but considers the effect on the foreign firm's home economy. This area has received much less attention in the literature when compared to the other spillovers identified. Investment which has been defined asset seeking could secure access to new technologies, which can then be used in the home market of the foreign firm. The activities of MNE's can provide a benefit to domestic firms within the home economy, as they could be able to get access to technologies which would otherwise not be available (Dunning & Lundan, 2008). Furthermore, Driffield & Love (2003) find evidence in the UK manufacturing sector of reverse spillovers being generated through the technologies used by domestic firms 'spilling over' to foreign firms. The focus of the reverse spillover literature concerns technology, but the arrival of better technology in the home market could also influence productivity and wage improvements in the home economy.

3.5 Summary

This chapter has concentrated on the theories, motives, forms and consequences of FDI. FDI can be driven by a range of motives, with profit underlying these economic motives, which include market, strategic asset, efficiency, and resource seeking factors. Whilst traditional FDI literature is very much economic in nature, this chapter has also identified a range of potential non-economic motives behind FDI, such as the positional good, conspicuous consumption, political factors and further institutional issues. Furthermore, this chapter has found a range of different consequences potentially present due to the arrival of FDI into an economy. These consequences exist through effects on productivity, competitiveness, wages, and regional factors. Also, there could be the presence of reverse spillover to the investing firm's home market.

The next chapter considers how FDI theory, reviewed in its wider context in this chapter, can be applied to the specific context of sport and the case of Premier League football.

Chapter 4: The Economics of Sport

With the literature available on FDI now established, this chapter will consider the literature from sports economics which is relevant to this thesis. The discussion will, therefore, focus on the objectives held by sports team owners and the role of profit in sport before surveying the more limited literature on FDI and football. This will include an identification of both the motives and consequences so far considered in this literature.

4.1 Ownership Objectives: Profit and Sport

From a conventional economic perspective the most prominent economic objective of team ownership is profit, and specifically, profit maximisation. Profit Maximisation is well established as an assumption in economics but less well demonstrated as behaviour (Garcia-del-Barrio & Szymanski, 2009). Arguments surrounding other objectives such as growth maximisation (Baumol, 1959) and sales revenue maximisation (Marris, 1963) have been proposed as alternatives. Famously, Baumol (1959) found that managerial salaries were more closely related to sales revenue than profits. Hence, the manager would seek to maximise sales revenue rather than profits in their self-interest.

The varying, and sometimes conflicting, objectives are prominent too in the sports economics literature where debates surrounding the validity of the profit maximisation objective soon emerged. While some suggested that profit maximisation was the objective of team owners, others have suggested utility maximisation and win maximisation as alternative objectives. The application of profit maximisation to sport was mostly driven by the North American literature (Sloane, 2006) but even in this North American literature this was not the universal view.

The seminal works of Rottenberg (1956) and Neale (1964), both focusing on North American sport, considered profit maximisation to be the implicit objective of sports team owners. These studies had a critical underpinning, as they both argued that greater sporting competition was more beneficial than less competition, since greater competition generated more revenues. In addition, for sports teams, it was important to have an even distribution of playing talent as this created a more even contest. When making talent choices, if a team sought to secure all of the best available playing talent at some stage diminishing returns would set-in. Using a specific example of this, Rottenberg (1956) argued that a star player at a poor team would be worth more to that team than a lower star player at a rich team. Thus, talent choices made in the market should lead to a more or less even distribution of talent across all teams. This would in-effect be the market, placing players where they would have their most productive use if the competing teams were rational profit maximisers.

Despite acknowledging that profit maximisation was not the most prominent objective in leagues where the satisfaction gained from winning was particularly important, Quirk & Fort (1995) still supported the notion that sports teams were profit maximisers. Further support for the profit maximisation hypothesis came from Ferguson et al (1991). It was found that in the NHL (National Hockey League), teams made decisions on ticket pricing which were consistent with the profit maximisation hypothesis. As a result, the notion of sports teams having similar motivations to other types of economic agent could not be dismissed (Ferguson et al, 1991). Others such as Quirk & Fort (1992) and Zimbalist (1992) have also supported the profit maximisation hypothesis from the North American sports perspective.

However, when considering the European literature, there has been less support for profit maximisation, though several studies have suggested that sports team owners held profit seeking objectives, particularly after the transformation of English football in the late 1980’s and throughout the 1990's. During this period, 'new' directors had entered the game with differing attitudes towards club ownership (King, 1997). Rather than football clubs being run as a form of public amenity, such as a library, the new directors were changing the thinking present at football clubs, and enhancing the free-market reforms the game was undertaking (i.e. changes to broadcasting regulations and club stadia). These new directors were not motivated by non-profit objectives, and instead they were focused on generating profit from the investment which treated football as a business opportunity (King, 1997).

For King (1997), profit could be gained in two areas. Firstly, there was the direct profit, where the club itself generated profit, and secondly, the football club was used to support other business owned by the directors. This would be a form of indirect profit, as profit for other business interests was enhanced by the ownership of a football club (Fort, 2000).

A similar theme was noted by Garcia-del-Barrio & Szymanski (2009) in relation to Spanish football club presidents who owned construction companies. Essentially, the football club was used as a vehicle to promote other business interests. There were also examples from North American sport where team owners have used sports investment to benefit their other businesses (Zimbalist, 2003). Additionally, some investors have been willing to cover the direct financial losses made by their club in order to promote the local region to potential foreign investors, which may benefit their other business operations (King, 1997).

While not using the term new directors, Andreff & Staudohar (2000) stated that football investors in the 1990's were no-longer the financially disinterested businessmen of the past. Instead these investors were seeking to enhance financial performance through ownership and control. As a result, improvements were made to the commercial operations of the football clubs under their control. Furthermore, football clubs sought to maximise revenue streams from ticketing, merchandise, television, and capital markets (Andreff & Staudohar, 2000). Additionally, as a number of English clubs were listed on the stock exchange in the 1990s, Szymanski & Kuypers (1999) argued that the English Premier League was the European league which most closely resembled the North American profit maximisation model.

Finally, the potential for club owners to generate returns in terms of capital gains needs to be considered (Zimbalist, 2003). The increased value of a team might enable future profits to be made through selling a club onto another investor. The issue for this objective (which is not raised by Zimbalist directly) is whether the growth in value would be sufficient to cover any financial losses which might have been made by the club in the past. If the losses are greater than the change in value then it is fair to assume the investor did not benefit, so once again issues of ownership rationality are present. Zimbalist (2003) also pointed to a possible further economic benefit in terms of taxation reduction. However, this advantage was explained in reference to North American sport only, as 50% of the franchise value to player contracts can be amortised over 5 years.

4.2 The Weakness of Profit in Football

Although the literature has some compelling arguments to support the link between football club ownership and profit seeking motives, it has been apparent that non-profit objectives are also pursued by club owners. The first study to question the ability of football clubs to generate profits was Sloane (1971). Sloane argued that the profit maximisation hypothesis was not applicable to football. In contrast to North American sport where profits were almost standard, English football did not have the same record of making profits. More recently, a similar claim was made by Zimbalist (2003) who argued that North American sports teams are business-type institutions, whereas the aim of most European clubs (including English clubs) is to simply be successful on the field of play. This implies that European football clubs might not even be businesses in the formal sense.

Why have European and English football teams been viewed as being less profitable? European and English football has operated an open league structure in which promotion and relegation is permitted between divisions. In both cases revenues can change dramatically, offering a substantial increase or loss to a football club. As there is no promotion or relegation in North American sports leagues there is no threat of losing revenue so maximising profits is easier within this context (Fort, 2000). The threat of losing (or gaining) revenues through divisional change means that a different competitive environment exists and a situation in which the owners in European sport are forced into maximising wins rather than profits (Haugen & Solberg, 2010). As a result, English football has been classed as a 'loss making' industry (Szymanski, 2012).

Furthermore, running a football club on the basis of seeking profit was not rational according to Hamil & Walters (2010). If a club refused to compete with the wages offered by rival clubs (in order to maximise profits) then sporting performance would suffer. In football this is a particularly important issue, as the labour market for players is highly competitive, due to the strong link between wage spending and performance (Szymanski & Smith, 1997). If the performance of the team suffers due to lower wage spending, then both match attendance and, as a result, revenues will decline. If performance declines to such an extent, then the club can be relegated. It will then suffer an even more significant loss of revenue. The only way of averting this scenario is for the owner to invest in team strengthening, which will erode profitability, but not to the same extent, as would relegation.

Although, North American sport is seen as profit seeking, sport there has been described as being “a sort of island of regulated quasi-socialist economy in the middle of a liberal American market capitalism” (Andreff, 2011). Institutional restraints on competition help to generate the conditions where profit can be derived from a sporting investment. North American sports operate a system whereby revenues are highly equalized in terms of their distribution, and the player labour market is highly regulated (Hamil & Walters, 2010). The restraints placed on players including a salary cap and a draft system, has helped to equalize talent across the competing teams and to increase uncertainty, raising interest and revenues   In contrast, the regulations present in European football constrain profits (Lago et al, 2006), and also restrict the threat of takeover which has allowed non-profit objectives to be pursued by club owners.

Another cause of unprofitability at European football clubs has been an increase in income inequality between clubs. A study by Lago et al (2006) explained a situation, where, if income increased by the same percentage for each club in a league, the income gap in absolute terms would grow. For a small club to compete it would have to try and bridge the financial gap between itself and the larger clubs, which might lead to greater losses. Financial inequality is not a new phenomenon in English football, as Platts & Smith (2010) found significant inequalities in the pre-1945 era. But the early inequalities were driven by differences in the size of attendances, which influenced the level of revenue a club could generate and some measures were introduced to help alleviate this problem (see chapter two). Despite the withdrawal of such measures, inequality still exists in English football, as larger market clubs (with access to larger populations) generate supporter benefits from these aspects (Buraimo et al, 2007).

Finally, the arrival of greater revenues in the game paradoxically contributed to increase financial losses. Greater revenue caused inflation both in wages and transfer fees (Storm & Nielsen, 2012). The expectation of greater revenues has enabled football clubs to increase spending. But where there has been evidence of underperformance, revenues have also been lower than expected, hence losses greater (Lago et al, 2006). Indeed this further highlighted the difficulties facing football club owners in generating profits. Therefore, club owners have traditionally been considered to hold other objectives and motives related to the non-economic aspects of owning a club.

4.3 Ownership Objectives: Non-Economic

Sports team owners might be "sportsmen" (or showmen) who will sacrifice profit in order to achieve sporting success. At the upper limit these owners sought to win at all costs, subject to winning being constrained by a minimum profit, or maximum subsidy, constraint (Vrooman, 2007). Within this range several different objectives such as utility maximisation, win maximisation, and prestige have been discussed in the literature as motives for club ownership.

The concept of utility maximisation was first applied to the objectives of a business by Williamson (1963). A manager's utility depended upon the level of staff expenditure, level of output, and the ratio of reported profits to total profits. Therefore, the greater the discretionary investment a manager has control over the greater the utility derived. In order to generate this discretionary spending, a minimum level of profit must be achieved initially (Williamson, 1963). This approach was first applied to the case of professional sport by Sloane (1971), as he sought to treat the ownership of a football club as a consumption activity. In Sloane's study, non-economic objectives were identified which reflected the growth in the non-profit maximising model literature at that time (Dobson & Goddard, 2011). A similar argument was made by Zimbalist (2003), who suggested it was beneficial to view team owners as maximising their total return in relation to both consumption and investment, not just financial profit

Despite rejecting profit maximisation, Sloane (1971) did include profit as part of his model, although this was not considered as the most important objective. Significant weight was given to playing success, and this was highlighted as the most important factor in his work. Security, attendance or revenue, and health of the league were other key factors. Security was considered as highly important for some clubs who had to sell players to survive, whilst attendance was viewed as a form of success. The health of the league factor, recognised the mutual interdependence of football clubs, and influenced performance. Finally, this model implied a financial solvency constraint, suggesting a minimum after tax profit must be recorded. Some evidence in support of utility maximisation was also found in relation to North American sport (Atkinson et al, 1988). They found that the talent choices of NFL teams did not relate to those which are present in the profit maximisation hypothesis. This was due to wage rates for players exceeding the estimate of their marginal revenue products. Hence, NFL owners sought *both* profit and private non-monetary benefits associated with winning (Atkinson et al, 1988).

With the introduction of other objectives into the analysis of sports team ownership, questions were raised as to the relative importance of these wider objectives. For instance, Kesenne (1996 & 2007) proposed the notion of win maximisation as the objective of sports team ownership subject to a minimum profit constraint. A league where win maximisation is the prevailing objective will have weaker competitive balance, larger spending on playing talent and larger wages for playing talent, compared to a league where profit maximisation was the objective for member clubs. Total revenue was lower in this type of league (Kesenne, 1996). Lower revenues were driven by lower demand (due to a reduced competitive balance), with the net result for this type of league being lower profits. In support of these arguments, Samagaio et al (2009) found that despite football's increasing revenues, there has been a failure to enhance the wealth of shareholders. They found, in support of Lago et al (2006), that as revenues have increased so have costs, concluding football clubs have sought to maximise sporting performance subject to achieving a minimum profit.

The notion of owners favouring sporting success is not a new construct. As we have seen local businessman in the past had taken control of local clubs because of their sporting enthusiasm (Sloane, 1971). But, the greater commercialisation of sport in general, and football in particular was supposed to weaken this. In their study of more recent English and Spanish football, Garcia-del-Barrio & Szymanski (2009) found support in both leagues for the objective of win maximisation subject to a zero profit budget constraint.

The ownership of a football club seems, therefore, to involve a more nuanced range of potential non-economic objectives. The notions of the sportsmen owner and the pursuit of success were driven by a club owner being a football fan (Hamil & Walters, 2010). The idea of a fan owner was also used by Zimbalist (2003) who suggested that a motive of sports team ownership might even be 'fun'. Furthermore, the ownership of a team, particularly if it is successful, might also benefit an owners' ego (Zimbalist, 2003). In these terms, there might be a strong element of self-satisficing behaviour in team ownership. Aside from these psychological benefits, team ownership might also be influenced by a desire to enhance personal and social prestige. While this was initially viewed as being an enhancement of prestige in the local region (Sloane, 1971), more recently the ownership of a sports team has been viewed as a trophy asset (Hamil & Walters, 2010), with benefits of celebrity and vanity to be accrued by a team owner, even at the expense of profits (Hamil & Walters, 2010).

Traditionally, some local businessmen invested in a football club through a sense of civic duty, providing a particular benefit in the case of a financial crisis (Sloane, 1971, Hamil & Walters, 2010). This localised element has now been extended by Zimbalist (2003) who suggested owners sought to maximise *global* long-term returns. These approaches implied that a range of potential objectives are held by team owners but they also raise consideration of the extent to which these objectives are inter-linked.

However, how can the exact objectives of team owners be identified? It has been common to deduce these 'after the event' (ex-post). The analysis of club balance sheets and profit and loss accounts to symbolise club objectives has been common practice. For example, the early yearly losses made by Roman Abramovich at Chelsea clearly suggested that he followed non-profit objectives (Sloane, 2006). However, Fort (2000) and Fort & Quirk (2004), questioned the effectiveness of this method, while Moorhouse (1999) raised questions about the nature of the data used. Their primary concern related to the nature of profit and differences in economic and accounting profit. Both Fort (2000) and Fort & Quirk (2004) argued that economic profit should be considered as the object of analysis, as accounting profit was easily manipulated to avoid tax payments. However, there was no evidence presented which suggested economic profit would be positive in these arguments (Sloane, 2006).

4.4 The Motivation for FDI in Football

These problems of analysing motivation grow when we turn to the more limited discussion of FDI and football. The literature here is very underdeveloped, with few existing studies concerning this phenomenon. Some of the studies which have included a reference to foreign ownership, such as Kelly et al (2012), and Hamil & Walters (2010) identified FDI as part of a wider narrative concerning English football. The first studies to make reference, more specifically, to foreign ownership of English football clubs were Buraimo et al (2006) and Barros & Leach (2006). Both of these used Chelsea as an example, but the main focus of these studies was not on foreign ownership itself. The work of Buraimo et al (2006) identified that Chelsea had been bankrolled to success by Abramovich, thus highlighting that a successful ‘benefactor’ strategy, used by some domestic owners, might also apply to foreign ones. But Barros & Leach (2006) also found that the arrival of Abramovich had acted as an exogenous shock on the Premier League. It shook-up the competitive order of the Premier League, which had been dominated by Manchester United and Arsenal. However, these studies did not make reference to other takeovers, or specific motives in the Chelsea case. Nonetheless, the arrival of Abramovich, and his perceived success encouraged the desire of other foreign investors to enter the Premier League (Nauright & Ramfjord, 2010).

When investigating potential economic motives, the discussion of profit is rather limited, with profit not being the main goal behind the FDI activity. Nonetheless, there was an implicit profit seeking underpinning in Nauright & Ramfjord (2010) and Williams & Hopkins (2011). In their study, Williams & Hopkins (2011) referred to Liverpool’s first North American owners (Tom Hicks and George Gillett) as “global sports capitalists” (Williams & Hopkins, 2011, p25), and they argued they had made no secret of their financial motives. Another perspective on profit was the notion of longer-term returns, with some foreign owners allegedly hoping to grow the value of the club in order to generate a profit should they sell in the future. In this strategy, profit arises via capital gains. But this might be most strongly associated with the purchasing of clubs in the Football League, which can then be sold on for significant profit, if promoted to the Premier League (Millward, 2013).

While the explicit discussion of profit has been fairly limited, a discussion surrounding revenues does exist. One of the attractive features of the Premier League was considered by Nauright & Ramfjord (2010) and Williams & Hopkins (2011) to be the value of television rights contracts and the international element to the television rights contracts (Millward, 2013, Nauright & Ramfjord, 2010). This international coverage not only offers a greater level of revenue from this stream, but it also generated a further market for the selling of licensed club products (Nauright & Ramfjord, 2010). Television revenues and contracts might also be beneficial for other businesses controlled by a foreign investor, which opened up the international context. This was particularly the case for investors who have held interests in television markets (Millward, 2013, Nauright & Ramfjord, 2010). In developing this argument further, the ownership of a football club extended benefits to non-sport global businesses controlled by the investor. This was primarily through cross-promotion of the business with the football club (Millward, 2013).

Further economic influences in foreign ownership have been suggested in relation to the size of the football club, and its competitors. Ideally, foreign investors might seek to purchase a club which had a transnational profile, a large, affluent, match attending fan base, where the acquisition is the only football club in the town/city, and where it has a modern stadium (Millward, 2013). For example, Buraimo et al (2007) identified the benefits football clubs with larger market catchments held over clubs from smaller regions. However, rather than club size, club availability has also been highlighted as a motive for the purchase of some clubs. In some instances clubs have been placed up for sale in an attempt to attract additional investment. Although an available club might have been cheaper for a foreign investor to purchase, it may not have held advantages in terms of market size or profile, compared with other clubs (Williams & Hopkins, 2011).

When considering the North American investment into Premier League clubs, Nauright & Ramfjord (2010) argued that the increasing similarity of English football and North American sport was a motivating factor. One of the ways these two sets of sport were allegedly becoming similar was through changes in the business model of football clubs, which has shifted towards the North American model. This included the generation of revenues from sources such as merchandising and hospitality (Nauright & Ramfjord, 2010). These changes might have reflected an increasing level of cultural closeness between the business of the Premier League and North American sport, nonetheless, the context of sport has remained different (i.e. open versus closed leagues). Despite these contextual differences, some investors may have sought to operate their football clubs as if they were an NFL franchise (Williams & Hopkins, 2011).

The literature on FDI and football has also identified regulatory aspects to be of importance in influencing football FDI. For example, Kelly et al (2012) mentioned the openness of Britain to FDI, and they argued that the volume of FDI entering the Premier League was simply part of this culture as was regulatory openness according to Williams & Hopkins (2011). The latter argued there were no restraints placed on foreign investment by the British government or the FA. In contrast, the framework of football club ownership was considered as being more complex in other European countries (Williams & Hopkins, 2011, Nauright & Ramfjord, 2010). FDI was less welcome or in some cases not possible. For instance, Spanish regulations required club presidents to be of Spanish origin (Ascari & Gagnepain, 2006).

But does being 'open' towards FDI imply that English football regulation is weaker than in other European nations? Two perspectives have emerged in the literature. Lago et al (2006) stated football regulation in England (as well as Italy and Scotland) was weak, and this weakness enabled clubs to run-up large debts. But Kelly et al (2012) cited an argument by the former chief executive of the FA, Brian Barwick, who argued that football in England is strongly regulated as football clubs are subject to different regulations from company law, stock market controls, and football specific regulations. But these arguments involved no consideration about the relative importance of regulation or institutional factors. Barwick suggested that the different layers of regulation, made English football unique when compared to other businesses. However, the general openness of the industry indicated football could be viewed as any other form of business, with only limited additional controls.

Finally, as with investment as a whole, there has been some reference to social and pyscho-social motivation. Some FDI entering football was stated to be an indirect investment, as it was used not to generate profits, but enhanced the reputation and goodwill of the owner (Storm & Nielsen, 2012). One aspect of 'goodwill' was political influence (Hamil & Walters 2010). Ownership of a football club might be used to enhance the political ambitions of the particular foreign investor involved. Furthermore, Kelly et al (2012) argued that football clubs were used as a vehicle for the personal ambition of both a domestic or foreign owner. Perhaps the closest to argument for this aspect was from Dobson & Goddard (2011) in their analysis of the takeover of Chelsea by Roman Abramovich.

4.5 Consequences of FDI in Football

The second part of this chapter will now consider the no less limited literature that has addressed some of the potential consequences of FDI entering English football. This literature refers to both economic and non-economic effects. Nonetheless, it has not been cast within a clear framework, nor on the basis of a clear typology or model drawn from the wider FDI literature.

In terms of profits, Wilson et al (2013) have argued that foreign- owned clubs do not generate the same level of profits as those clubs which have stock market listings. Mostly, this was due to the cost levels and behaviours at these clubs, but the literature is quite limited in relation to this issue. In contrast, some foreign owned clubs may have been able to access specific ownership advantages which could have enabled them to generate greater revenues. This might be in the form of business acumen and commercial expertise passed on by foreign owners to their respective clubs (Kelly et al, 2012). However, there has been no discussion as to whether these direct effects will 'spillover' to domestically owned clubs. Imitation advantages or internalisation issues in football have not yet been discussed in this literature.

In terms of debt, or increasing losses, the consequence of this, and for whom is uncertain. The literature does not provide an extensive narrative for these consequences from football FDI. The discussion around debt and financial performance in the wider football literature suggests that these elements might be of critical importance, but in academic terms the effect of FDI on these issues has not been evaluated in any detail.

Some domestically owned clubs were shown by Kelly et al (2012) to have been negatively affected by the arrival of new capital into other clubs. The negative effects were mostly in relation to higher costs and weaker profits. Essentially, foreign capital might have enabled foreign owned clubs to increase their spending in the transfer market creating direct and in-direct cost effects for both foreign owned clubs and domestically owned clubs. For players and agents, such changes might be positive, but for club owners these changes would likely be negative. This particular aspect too has not been explored fully, as there has only been a limited attempt to investigate yearly changes in wage and transfer spending across the Premier League. There has also been no analysis surrounding infrastructure development (such as training and stadium facilities) and whether the improvement of facilities was a potential benefit of FDI (at both the direct and in-direct level).

FDI has also been said to have increased the globalisation of the Premier League (Kelly et al, 2012, Nauright & Ramfjord, 2010). Here, globalisation refers to the league's participants - owners, players, managers, and coaches. But, globalisation also relates to the support base and coverage of the Premier League in other countries. In the sense, there has been a particular importance given to global television contracts (Millward, 2013). But Kelly et al (2012) have suggested that FDI has not accelerated this process.

The enhancement of league stature was another potential consequence of football FDI, although this was not directly stated within the current literature. In football terms, as investment increases, higher profile (and quality) players are attracted to a league due to the prospect of higher wages. This in-turn may further enhance revenues (via television or merchandise) and can be associated with "superstar effects" (Lucifora & Simmons, 2003). The addition of "superstars" to a league will further enhance the appeal of a competition at both the national and international level. Hence, the arrival of FDI can have an influential impact on the 'stature' aspect, particularly if it is associated with significant investment.

In the previous chapter, competitiveness changes were found to be a potential effect of FDI entering an economy. This literature applied some concepts which were not wholly relevant to the football case (i.e. the use of Porter's Diamond by Gugler & Brunner, 2007). Furthermore, in the economic sense, competitiveness within an industry is mostly analysed through market share data. Such an approach is impossible in the football context, as football clubs are not competing for market share. Instead, *in sporting terms*, they are competing for their share of points on the field of play. In the sports economics literature some of the techniques used to measure competitiveness in other industries have been adjusted to fit the sporting context. The most important of these has been that of competitive balance in sporting terms.

The changes in competitive balance across a range of European leagues have been considered by Pawlowski et al (2010), Ramchandani (2012) and Gossens (2006). However, only Ramchandani (2012) made reference to the particular effect of FDI on this construct so the literature on FDI and competitiveness (in the football context) is rather underdeveloped in comparison to the general FDI literature and competitiveness. The vast majority of football studies suggested competitive balance to have declined across various European leagues due to increases in income inequality. This was prominent through domestic television revenue imbalances (Michie & Oughton, 2004), as well as supra-national revenue streams associated with the Champions League (Pawlowski et al, 2010, Gossens, 2006, Michie & Oughton, 2004, Lee & Fort, 2012). For example, Pawlowski et al (2010) found the Champions League to have a negative impact on competitive balance across Europe due to the payment system of the Champions League. This created a vicious (or virtuous) cycle, as the most successful clubs were able to obtain the revenues from Champions League qualification, and were then able to use this revenue to dominate domestic competitions. Furthermore, Gossens (2006) noted this effect was greater in the Premier League than in other European leagues, as there has often been little variance in the teams who reached the top four league positions (thereby qualifying for the Champions League).

The notion of increased income inequality leading to greater competitive imbalance was also considered by Szymanski (2001). In contrast to Michie & Oughton (2004) and Gossens (2006), this study suggested that increasing income inequality has not negatively affected competitive balance. Furthermore, Forrest et al (2005) stated there was no obvious competitive balance problem in the Premier League when it was compared to leagues in other sports, particularly those from North American sports. Indeed, the overall competitive balance of the Premier League may not be as important due to different sub-groups of clubs challenging for different targets like the Champions League, avoiding relegation, or finishing in the safety of the mid-table group (Borooah & Mangan, 2012).

Again, these studies have not included the impact of FDI. The one study which focuses on this aspect was Ramchandani (2012). This proposed that FDI had negatively affected the competitive balance of the Premier League, but the study did not extensively cover the issue. At the league-wide level, if FDI has weakened competitive balance then this might not necessarily be a negative consequence. The dominance by foreign owned clubs, would not automatically impact on the demand for matches within the Premier League, as supporters are sometimes motivated by winning rather than witnessing an even contest (Brandes & Franck, 2007). The uncertainty of these findings implied the need for further research into this aspect.

Within the FDI literature, some of the most investigated spillover effects are those concerning productivity effects from the presence of foreign owned firms. In chapter three it was established that FDI can affect productivity levels in both direct and in-direct ways. In the sporting context the analysis of productivity is different due to differences between sport and other types of industry. In a team sport contest (like football) competing with fewer players than an opponent does not present an advantage. Therefore, traditional measures of productivity surrounding output per-person are not as valid in the sporting sense. But productivity measurement in football also includes a range of factors, both economic and non-economic in nature. For example, Barros & Leach (2006) used a range of on-field and off-field performance measures such as points, attendances, and revenues to build a stochastic frontier model to analyse productivity in the Premier League. They found, Manchester United to be the most efficient club in the Premier League, with Chelsea the least efficient. However, the arrival of Roman Abramovich in 2003 would significantly improve Chelsea's productivity, if measured by improvements in on-field performance.

The study by Guzman & Morrow (2007) also considered the efficiency of football clubs in the 2002/2003 season, using a 'data envelopment approach', which compared the levels of input and outputs made by each of the clubs. When looking at the 2002/2003 season, Chelsea was again highlighted as being inefficient, with weak efficiency scores also recorded at Leeds and Fulham. The result for Fulham has a particular importance as Fulham were a foreign owned club, and despite the financial advantages in this season it did not translate into strong efficiency. In terms of those clubs rated as efficient, Birmingham and West Bromwich Albion were the two clubs that scored the highest, despite weaknesses in on-field performance (West Bromwich in particular) (Guzman & Morrow, 2007).

The data envelopment approach was also used by Haas (2003) to measure productive efficiency. The inputs in this study included playing talent and coaching capabilities, with outputs identified as points gained and revenues received. Of the twenty teams in the 2000/2001 season, only two (Ipswich and Charlton) come out as efficient on all measures used in the analysis. In contrast, Arsenal, Chelsea, and Newcastle were highlighted as the most inefficient clubs on these measures. In all three cases, the clubs had squads of quality, but they did not translate into success on the field of play (Haas, 2003). This narrative surrounding under performance and over performance in relation to the resources clubs have available was also reflected by Guzman & Morrow (2007).

These studies have not reflected the wider impact of FDI on the productivity. For example, there was no consideration of whether FDI had affected the productivity levels of those clubs which were not acquired by foreign investors (spillover effects). In reality, only Barros & Leach (2006) make any reference to foreign ownership in their analysis, and this reference to Chelsea was not statistically tested as the 'event' of Abramovich's takeover took place outside of their data set period. From this literature, a judgement surrounding the effect of FDI on productivity in the Premier League cannot be completed due to the failure to address these aspects.

There were also other consequences found in the existing literature which related to sporting aspects of the Premier League. In terms of the sporting aspects, one issue related to the competitive order of the Premier League. In this aspect, Wilson et al (2013) found foreign owned clubs were likely to have stronger on-field performance compared to domestically owned clubs. Therefore, foreign owned clubs were able to achieve a greater level of success on the field of play when compared to those clubs in domestic control. Other studies on football FDI have not focused on this aspect in much detail, despite its apparent importance in terms of influencing the competitive order of the Premier League. Whilst some, like Kelly et al (2012) have explained why this difference existed, there has been only limited mention of these performance imbalances in the literature. As a result there is a need to explore this element in more detail.

Medical services were a further area where foreign expertise has been brought in as a result of FDI (Nauright & Ramfjord, 2010). This implied that those foreign investors with other sporting interests were able to share their knowledge with those at the football club. Knowledge from this particular aspect could also have been transferred between the football club and the other sporting business owned by the investor. There was no explanation of whether these direct benefits for foreign owned clubs would translate into indirect benefits for domestically owned clubs. It was unclear whether any advancement in this field were internalised by the foreign owned clubs, or whether these effects “spilled-over” to domestically owned clubs. Other aspects (i.e. in relation to scouting) were not considered by Nauright & Ramfjord (2010).

In-terms of the effect football FDI has had on local communities and supporters, the effects outlined are limited, and where they occur have been mostly negative (Kelly et al, 2012). The response to FDI from club supporters has not been uniform across all clubs or even within clubs (Nauright & Ramfjord, 2010). At some clubs protest movements against foreign owners have existed from the beginning of the takeover process (Brown, 2007), whilst other protest movements began several months after a foreign takeover was completed (Williams & Hopkins, 2011). Brown (2007) implied the wider break-up of football fan communities, with supporters split into different groups due to the presence of a foreign owner. Some supporters have sought to protest, while others have accepted the position of the new foreign owner. But such community focused arguments have not been solely limited to foreign owners (Kelly et al, 2012). Beyond this there has been no real consideration of wider spillover effects relating to the local community. For instance, FDI in general has been shown to have both direct and in-direct impacts upon employment (i.e. Haskel et al, 2007). These impacts may well have been present in the Premier League, but the existing literature has neglected to analyse them.

4.6 Summary

This chapter has found the literature surrounding FDI motives and consequences in football to be relatively underdeveloped when compared to the wider literature surrounding ownership of sports teams. Although competitiveness and productivity have been identified as consequences of FDI in chapter three, the work completed on these aspects in relation to football FDI is small. As a result, this study will seek to increase the knowledge base relating to foreign ownership and football. With the key literature now examined, the next chapter of this study will consider the methodological choices for the study.

Chapter 5: Methodology

The previous chapters have presented a review of the literature surrounding FDI and sports economics. This next chapter will set out the methodological approach to be used in the rest of the thesis. In order to do this, the methodological approaches used in the topic area will be discussed, prior to a justification of the chosen approach. This chosen approach will then be broken down into several areas, with the research process set out in detail.

5.1 Research Methods in the Topic Area

In the research on FDI in general, and in the more limited research on FDI in football, there has been a reticence to discuss methodological choices. Most studies assume a positivist approach. The majority of studies collect empirical data, which is then analysed using an econometric model. This approach is noticeable too in the literature surrounding FDI spillovers (e.g. Girma et al, 2001, Haskel et al, 2007, Aitken & Harrison, 1999). A similar approach was found in the studies which have investigated productivity, competitive balance or finance, in the sports economics literature (i.e. Barros & Leach, 2006, Ramchandani, 2012, Szymanski & Smith, 1997). The reluctance to explain this methodological choice is evident in Szymanski & Smith (1997). While there was a justification of the particular econometric model used to evaluate financial performance, no alternative methods were suggested. Indeed, there was no attempt to suggest why this approach would have more relevance, than a study using an alternative methodological approach. It was seemingly and naturally assumed that the study will have a positivist approach and will be empirically and quantitatively based. Additionally, it is often also not clear whether the research question under investigation has guided the choice of methodology, or whether the methodology guided the choice of research question (Birkenshaw et al, 2011). Such studies have also tended to be deductive rather than inductive, seeking to test theory rather than to build theory.

There are severe practical problems with an econometric approach in sports economics and not least to sample size. In football there are a limited number of Premier League clubs, and an even smaller number of clubs which are foreign owned. This presents a much smaller sample size than some of the industries considered in the FDI literature. This raises a question about whether there are enough clubs within the sample to build and test a model reliably. Moreover, as questions have already been raised about the value of some of the secondary economic data, it is possible that an econometric model would not been wholly effective in this particular situation. Since FDI in the Premier League did not become prominent until the mid-2000's this provides a relatively short time frame, and as a result a longitudinally based study is more difficult as outcomes can be biased due to the lack of data available (Bitzenis et al, 2009).

However, some studies do make use of primary data collection methods, and have also sought to qualitatively analyse the collected data. In the sports economics literature, a rare example of a study using primary data was King (1997). This study used interview data from club directors of Premier League clubs, in order to establish a narrative surrounding the changing objectives held by club owners. So why has this approach not been common within football research? This is mainly due to the difficulty in accessing the elite level respondents required to complete the study. Moreover, due to the small number of interviewees who participated in the King study, data from documentary sources such as newspapers was used to make up the shortfall.

Similarly, in the FDI literature, examples of studies using questionnaire or interview based studies are rare. However, Bitzenis (2001) used a case study approach which made use of both questionnaire and interview data. This approach was adopted as the interview data enabled the collection of more detailed qualitative evidence. In the work on FDI and international business more generally which has been completed through qualitative methods, the case study and particularly the use of multiple-case studies has been a prominent method. However, the use of this method is constrained through a lack of rigour and methodological vagueness. As a result, a problem with generalizability has arisen with case studies focusing on an explanatory description of events (Pauwels & Matthysens, 2004). Additionally, in the FDI literature, Moran (2001) has shown how case studies can be applied to the investigation of FDI spillovers, with two sectors (electronics and automotive) analysed to understand the spillover effects generated by the presence of FDI.

The case study approach has also been used within the sports economics literature. For instance, Hamil & Walters (2010), use a case study approach to explain financial behaviour in football. The use of case clubs is rather limited within the constraints of their study. The cases are only briefly used towards the end, and more detail could have been used to enhance the observations made from these cases. However, this study did use foreign owned clubs to discuss both motives and effects. Unlike Bitzenis (2001), the data used in the case study was secondary rather than primary. An example of a single case study approach in the football literature is Coombs & Osborne (2012). They used Aston Villa to investigate the effect of foreign ownership on public relations. This study used a range of different research methods, including participant observation to assess the impact of foreign ownership.

In terms of the use of documentary evidence, further examples of this particular approach are the studies by Morrow (2006), Millward (2013), Kelly et al (2012), Williams & Hopkins (2011), Nauright & Ramfjord (2010) and Buraimo et al (2006). In these studies, data was sourced from newspapers, club documentation, and other reports concerning the football business. However this raises the issue of the accuracy of such sources.

5.2 The Search for Data: Strengths and Weaknesses of Secondary Data

Documentary sources have been an important element of several studies, and will be drawn on here too. In football terms, documentary sources of data come from official club sources, newspapers, and other informed sources like the Deloitte *Annual Review of Football Finance*. The use of documentary sources has provided some clear benefits. Club sources provide an opportunity for data to be accessed from owners who do not provide regular media interviews. In one such instance, Sheikh Mansour provided one formal interview to the British media, and this was conducted through Manchester City's official website (Manchester City, 2009) rather than another source. But as this was a club source, the questions asked were not as challenging as those from other media sources. The materials presented through official club sources are also devised for consumption by club supporters, so there is an element of stating "what the fans want to hear". Remarks have not always been fully accurate. One example was at Liverpool when, upon purchasing the club, Tom Hicks and George Gillett discussed the history of the club, but soon after in other non-club media they referred to Liverpool as a 'franchise'. These comments with their connotations with North American sport led Liverpool supporters to argue that they had displayed their true profit seeking motivation (Williams & Hopkins, 2011) even though, at the time of purchase, they had made no explicit reference to profit through club sources. So while a useful source, official club comments need to be taken with care.

The data from other informed sources and non-club media also has its drawbacks. Historically, it was argued that sports journalism did not constitute serious news (Salwen & Garrison, 1998), and working in a press sports team was akin to working in a "toy department" (Boyle, 2006). Sports journalism was not considered as rigorous as other forms of journalism despite the level of coverage given to sport in newspapers. Sports journalists have been accused of acting as “cheerleaders” for certain groups (Boyle, 2006, Anderson, 2001). In the football context it has been known for some journalists to favour certain managers, owners or clubs. This has led to questions surrounding bias in the reporting of sport though in reality, this may be no different to other forms of journalism, where reporters have been favourable to one particular political party, or business. Journalists too are often wary of criticising some individuals in case their access was withdrawn. In football it has been known for some managers to ban particular journalists from press conferences. In a recent case, the North East correspondent of the Daily Telegraph lost access to Newcastle United matches over a story surrounding dressing room unrest (Telegraph Sport, 2013).

It is not only the relationships or bias that some of sports journalists hold which has caused concern. A further weakness concerns the nature of sports journalism when dealing with football finance. Broadsheet newspapers will often employ one individual (i.e. David Conn at *The Guardian*) who will comment specifically on sports business related issues. While other journalists may also comment on the sports business they tend to do so from a less informed viewpoint on the business aspects. There are examples of business journalists being used to cover football finance matters. An example of this is Robert Peston who produced a blog on the “football bubble” for his BBC website blog. Here Peston compared the situation in English football to the wider economic concerns associated with the credit crisis, arguing that the situation in the Premier League “is a microcosm of the bubble that precipitated the credit crunch” (Peston, 2008). This presented a difference in approach, and also suggested the nature of what business journalists are investigating. A sports journalist focuses on the record transfer fees and player wages, while the business journalist will investigate the strengths and weaknesses of football finance.

Although such data is useful and will help to address the questions this thesis discusses, it is not possible to base the entire study around secondary data. In order to answer the problems posed by this thesis, the collection of primary data is necessary to help to provide further insights and to extend the narrative being developed surrounding football club ownership by foreign investors

5.3. The Methodological Approach to Primary Data

In contrast to the majority of studies in the topic areas of FDI and sports economics, this thesis adds an additional focus by using a more qualitative approach. For areas such as spillover effects (concerning productivity), and competitive balance, empirical data will be collected and analysed, but for the discussion of motives and other effects the thesis will also use questionnaires and interviews to allow the themes and narratives emerging from the data to be reflected upon, rather than being reliant on deductive hypotheses to test (Saunders et al, 2007).

A qualitative approach is helpful given the lack of completed research on the foreign ownership of football clubs. In business research more generally, qualitative research is used in order to complete exploratory studies where there is an absence of well-developed theory (Birkenshaw et al, 2011).

This study will also use multiple data collection methods.   The thesis uses primary data to supplement the insights, drawn from secondary data to help to extend the discussion surrounding foreign ownership of Premier League clubs. Following a similar approach to King (1997) and Bitzenis (2001) we use questionnaire and interview data. In the FDI literature, questionnaires have been used in studies by Bitzenis (2001, 2004, and 2006), Bitzenis et al (2009). These have been used to consider the determinants or motivations of investors when engaging in FDI (e.g. Jiang, 2005 considers FDI entering the pharmaceuticals sector in China). Although not frequent, the questionnaire approach has proved useful in examining FDI motives, but in the relevant parts of the sports economics literature, questionnaire research is hardly used as a data collection tool. This study will therefore expand the range of methodologies used in this area of research.

Alongside the use of these forms of data, the effects of foreign investment will be considered through the use of the case study approach. The use of case studies has been developed in the FDI and football literature, and is particularly helpful when faced with a shortage of knowledge in a topic area (Ghauri, 2004) and when the sample size is small (Chetty, 1996).

Having established the broad methodological choices, the next part of the chapter will identify the respondents of interest for this thesis.

5.4 Interest Groups and Access Challenges

The first stage of the process was the selection of the respondents for the questionnaires and interviews. These are shown in Table 5.1 and 5.2.

Table 5.1: Groups of Interest

Club Management	Supporters	Regulatory Bodies	Politicians
Senior-Management, Board level.	Supporters Trust, senior level.	FA Premier League	Interest in Sport Member of Culture, Media, and Sport Select Committee (CMS)

Table 5.2: Groups of no-interest

Club Management	Supporters	Regulatory Bodies	Politicians
Football Management, Middle Management.	Official Supporters/Members Clubs. Season-Ticket holders, Other supporters.	Football League PFA	Non-interest in sport/football

To enhance the richness of this study, it was decided the research would target different types of respondent, accessing senior management (i.e. King, 1997), supporters (i.e. Coombs & Osborne, 2012), as well as regulatory bodies and politicians interested in football.

Given the concern to analyse the motives and effects of foreign investment, it was decided that information from senior club management would be essential to the development of this thesis. This is a similar approach to the one used by King (1997), but rather than using club chairman as respondents, the study targeted chief executives and other senior managers. Due to the changes in football ownership, club owners and chairman are not always located within the UK, so this provides a significant barrier to access. The chief executives and other senior managers on the other hand will have day-to-day experience of running their club and they are able to articulate the effects of FDI on their club and the Premier League more generally. However, a potential drawback is that these individuals may not have been involved in the purchase decision made by the investor. Other types of managers, such as first-team managers, or non-football middle managers were not targeted as it is unlikely that these groups would be able to provide the same level of detail and richness in relation to FDI.

On the other hand, supporters were selected to allow for a counter opinion to those formulated by the club management and permit different issues to be explored. The importance of supporters is reflected in the works by Giulianotti (2002) and Morrow (2003). In this thesis, the use of first-hand accounts from supporters will draw out how they have been affected by the entrance of FDI into their club or the Premier League. Within this group, Supporters Direct and the supporter trust movement became of interest to the themes discussed here. Supporter trusts are collectives, which enable supporters to influence behaviour and accountability within their club (Morrow, 2003), and in some cases they have achieved ownership of their respective club (Dobson & Goddard, 2011). These supporters are more engaged with the ownership position at their club when compared to other supporters who may be season-ticket holders or more casual attenders In contrast, official supporters clubs (i.e. those promoted by the club) were ruled out, as the members of these groups may provide responses closer to the clubs 'official lines', and not the more diverse range of responses that is presented through the trust movement.

Regulatory bodies were selected as another group to investigate. The regulatory bodies, such as the Premier League and the Football Association provide an institutional perspective Meier (2008). The Football League was not considered, as the focus of the research is on the Premier League. However, access problems were prominent with this particular grouping due to the volume of requests they receive. The Premier League has a policy of non-response to student/research enquires (Premier League, 2012), while the Football Association did not respond to an interview request. As the PFA (professional footballers association) only deals with issues surrounding football players, the decision was made to not contact them for an interview.

The final interest group to be considered in this thesis was politicians; in particular interest was with MP's who were either a member of the Culture, Media, and Sport (CMS) select committee or those who held an interest in football governance. In 2011, the CMS undertook their report on football governance (which dealt with issues of ownership amongst other factors), and as this was a 'live topic' within the committee the decision was taken to target politicians as this would provide an informed perspective, but one which was external to football. Requests to five MP's were sent, but only one response was returned, and he declined to participate in the study. Within this response the name of another MP to contact was recommended but there was a negative response from this individual too.

5.4.1 Access Difficulties

Having identified the groups of relevance for the study it was apparent that there were difficulties in gaining access to some respondents. This was particularly strong as this study was dealing with mostly elite respondents. These issues will now be explored.

Elites can be defined as individuals who hold a senior or middle management position within an organisation, have functional responsibility, have considerable experience, and possess a wide range of personal relationships (Welch et al, 2002, Harvey, 2010). While this definition is considered in relation to international business, it also helps to describe the role of an elite respondent in the football industry. Furthermore, an elite individual is someone who exerts control or authority within society or organizations, through having control of decision making, capital, human, and knowledge resources (Desmond, 2004). However, an individual's position in an organisation does not always equate to elite status. This is partly because elite status may relate to time and place, with certain people considered elites in one situation, but not in another. There may also be a consideration of a person's place in a social network, which will help to define whether they have elite status or not. Additionally, a job title can have different meanings in different organisations and sectors.

The use of elite interviewees presents a number of difficulties. Elites will create barriers in order to set themselves apart from other groups (Hertz & Imber, 1993). For instance, researchers will have to deal with intermediaries and that the process can be time consuming (Welch et al, 2002). The problem of gaining access is also noted by Harvey (2010) who argues that gaining access into social networks of the elites can help to improve the level of access. The difficulty of gaining access is also highlighted by Smith (2006) who argued that social groups may present a greater challenge to access compared to those individuals who work for a large company. It is also argued that some elite respondents do not engage in a research process due to the "junior" nature of the researcher (Dexter, 1964). However, while this may have been a factor in some people declining the chance to be interviewed, Harvey (2010) argues that there is little support for this assertion in the elite interviewing literature.

Another area in which elite interviewees will be different to other interviewees is the power they possess. This problem is evident at the access stage as elite respondents will simply make themselves difficult to access (Welch et al, 2002). This places the researcher at an immediate disadvantage in terms of power distance. Further to this, elite interviewees can dominate their interviewers through their superior communication skills (Fitz & Halpin, 1995).

5.4.2 Access in Football

For researchers, getting access to the right people in a football club is a difficult process with many clubs having specific policies which restrict access. Manchester United, for example, specify that information on the clubs business strategy, alongside on-field information about players cannot be given to researchers due to the "highly competitive nature of the football industry" (Manchester United, 2012). There are other clubs who restrict researchers for slightly different reasons. Sunderland argues that the "sheer volume of requests" influences their decision to not allow access (Sunderland afc, 2012). In an email response from Arsenal it is stated that the "sensitivity of the issue" (i.e. foreign ownership) influenced their decision not to respond. However, firms in other highly competitive industries have allowed researchers access, so football takes a different approach to these industries. In football, there is more of an attempt made to try and restrict the flow of information out of an organisation. On one level, clubs like publicity, but at another level they fear it when it becomes too intrusive:

"It's a very public business, your results are very evident to people. Newspapers and the media generally want to follow everything you do" (Respondent F)

However, for researchers the same level of access is not granted. Indeed, in some cases, football clubs have not even been receptive to their own supporters:

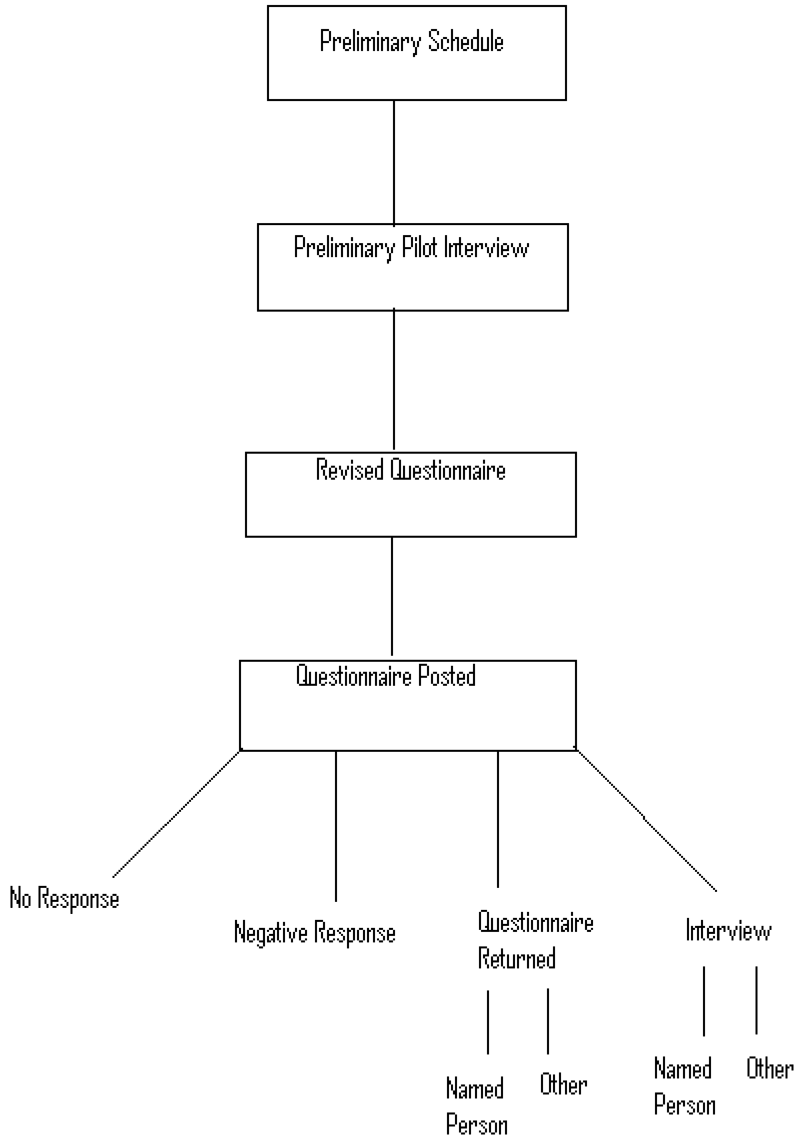
"*The club is determined if it can to eradicate or completely side-line any independent fans body. Fulham's method or desire is absolute control" (Respondent D)*

Media access is more straightforward because it helps to enhance the product offered, but while this promotes an image of openness, football is not open to other groups who cannot provide the same benefit for the club.

5.5 Research Process for Primary Data

Figure 5.1 shows the research process in four broad stages from the setting of a preliminary interview and questionnaire schedule. This was refined after a pilot interview; once this had been completed the questionnaire was revised and then posted to nineteen Premier League clubs. Alongside this process, there was also the arrangement of interviews with members of the supporter movement.

Figure 5.1: Research Schedule



5.5.1 Overview of Sample

As stated earlier in the thesis, the focus of this study is the Premier League. Therefore, at any one time there are only twenty clubs which compete in the division. The research draws on responses from the clubs which were present in the division during the 2011/2012 season. These clubs playing in the Premier League for the 2011/2012 season are shown in Table 5.3:

Table 5.3 Overview of Premier League clubs in 2011/2012

Club	Type of Ownership
Arsenal	PLC (Major foreign shareholders)
Aston Villa	Foreign
Blackburn Rovers	Foreign
Bolton Wanderers	Domestic
Chelsea	Foreign
Everton	Domestic
Fulham	Foreign
Liverpool	Foreign
Manchester City	Foreign
Manchester United	Foreign
Newcastle United	Domestic
Norwich City	Domestic
Queens Park Rangers	Foreign
Stoke City	Domestic
Sunderland	Foreign
Swansea City	Domestic
Tottenham Hotspur	PLC (Major domestic shareholder)
West Bromwich Albion	Domestic
Wigan Athletic	Domestic
Wolverhampton Wanderers	Domestic

In 2011/2012, ten clubs were either fully or partly owned by a foreign investor, and the remaining ten clubs were under the control of domestic investors. This split was fortunate as an equal number of requests could be sent out to domestic and foreign owned clubs. Alongside the Premier League clubs, contact was also made with supporter’s trusts. The timeline for the research process is shown in Table 5.4:

Table 5.4: Research Timeline

April 2011	Pilot Interview at Wolves
June-September 2011	Interviews with Supporters Direct and Supporters Trusts. Unsuccessful attempt made to contact politicians and regulators.
September 2011	Questionnaires sent out to nineteen remaining PL clubs
October 2011	Interview arranged at West Brom. Completed questionnaires received from Wigan, Blackburn, and Norwich. Negative Responses received from Sunderland and Arsenal
November 2011	Questionnaires resent to clubs who did not return first questionnaire.
November 2011	Interview arranged at Stoke. Completed questionnaire returned from Chelsea. Negative Response from Fulham.

The first stage of the research involved the arranging of an interview with a senior manager at Wolverhampton Wanderers [then a Premier League team]. This interview was set-up via a mutual contact, and acted as a pilot study for both the questionnaire and later interviews. After this interview was completed, it was hoped further respondents would be recommended and using snowball sampling the number of respondents would grow. However, the potential respondents recommended were either unable to contribute or not suitable as they were involved in the operation of Football League clubs.

Following the pilot interview, both the questionnaires (domestic and foreign) were revised in late summer 2011. One version was sent to the group of foreign owned clubs (Arsenal, Aston Villa, Blackburn Rovers, Chelsea, Fulham, Liverpool, Manchester City, Manchester United, Queens Park Rangers and Sunderland). The second version, for domestically owned clubs, was sent to nine remaining clubs (Bolton Wanderers, Everton, Newcastle United, Norwich City, Stoke City, Swansea City, Tottenham Hotspur, West Bromwich Albion, and Wigan Athletic). All questionnaires were addressed to a member of the senior management team at each of the clubs whose details were obtained through club websites.

Responses were returned from one foreign owned club (Blackburn) and two domestically owned clubs (Norwich and Wigan). A positive response was also returned from West Bromwich Albion, although this was not with the named person on the covering letter. This led to an interview which was conducted with a member of the clubs senior management team. Negative responses were received from Sunderland and Arsenal. For Sunderland, the negative response contained a letter explaining that the club receives many requests from students asking for questionnaires to be returned and due to this high volume of requests the club does not return them. The response also suggested that details about the club and its ownership were available from the official website. The response from Arsenal stated that the club did not wish to contribute to the study due to the sensitivity of the issues. Like Sunderland, the response contained a link to the club website and also contained a link to a video where the club's CEO (Ivan Gazidis) was discussing the club's annual accounts for 2010. In total six clubs' responded to the first batch of questionnaires sent out.

With thirteen clubs having not responded to the questionnaire a reminder questionnaire was sent in November 2011. These reminder questionnaires generated a return from one foreign owned club (Chelsea) as well as an interview with a senior manager from Stoke City. A negative response was also received from Fulham who stated that they did not have time to complete the questionnaire.

Therefore, in total four clubs returned a completed questionnaire, with a split equally between two foreign owned clubs and two domestically owned clubs. The questionnaires from Blackburn and Wigan were returned by the person who it was addressed to, while the response from Chelsea was passed onto another member of the senior management team. The returned questionnaire from Norwich did not specify who had filled in the questionnaire. With two interviews also set-up, the response rate was 31.6% with this increasing to 35% when Wolves were included in the sample. In King (1997) interview data was generated from five chairman/directors plus two other senior managers at Manchester United. With seven clubs participating in this study alongside three members of the supporter movement this gives a comparable sample. The full breakdown of the club responses is shown in Table 5.5

Table 5.5: Questionnaire Responses

Response	Club	Total
Interview (Domestic)	Wolves, West Brom, Stoke	3
Questionnaire (Domestic)	Wigan, Norwich	2
Questionnaire (Foreign)	Blackburn, Chelsea	2
Negative Response	Arsenal, Sunderland, Fulham	3
No Response	Aston Villa, Bolton, Everton, Liverpool, Man City, Man Utd, Newcastle, QPR, Swansea, Tottenham	10

In addition to the responses from the Premier League clubs, the thesis also gained access to members of the supporter movement. The sample is summarised in Table 5.6:

Table 5.6 Detail of Responses Received

Completed Questionnaires Received (Clubs)	Interview's Conducted (Clubs)	Negative/No Response (Clubs)	Interviews with Supporter Trusts	No Response (Trusts)
Blackburn	Stoke	Arsenal	Supporters Direct	Arsenal
Chelsea	West Brom	Aston Villa	Fulham	
Norwich	Wolves	Bolton	Manchester United	
Wigan		Everton		
		Fulham		
		Liverpool		
		Man City		
		Man United		
		Newcastle		
		Q.P.R		
		Sunderland		
		Swansea		
		Tottenham		

Four questionnaires were returned from Premier League clubs, with two from foreign owned clubs (Blackburn and Chelsea) and two from domestically owned clubs (Norwich and Wigan). In addition to these questionnaires, a total of six interviews were conducted. Three of these interviews were with domestically owned Premier League clubs (Stoke, West Brom and Wolves), with the remaining three interviews taking place with members of the supporter movement. Of these interviews, one took place with a senior member of Supporters Direct, and the other two were with senior members of supporter's trusts. These trusts were for clubs which were both foreign owned (Fulham and Manchester United).

5.6 Questionnaire Design

This part of the chapter will consider the design of the questionnaires. Each of the questionnaires was accompanied by a covering letter. Within this covering letter, details surrounding the nature of the research and the confidentiality processes were outlined. These were particularly important in explaining the research to the respondents and also in providing confidence that results would be treated with care and anonymity. In order to increase the response rate, options were given to the respondent as who should complete and return the questionnaire. This was within the context of the senior management team, since it was decided that this approach would elicit a useful response chief executives are likely to be extremely busy in dealing with club matters. Two versions of the questionnaire were developed. The first version was sent to clubs who were domestically controlled, and the second version was sent to those clubs that were controlled by foreign investors. This allowed both core and different issues to be explored in the research.

5.6.1 Question Design

Both of the questionnaires were made up of closed questions and Likert 5-point scale questions. The use of open questions was rejected due to their time consuming nature. It is acknowledged that open-questions have an advantage in terms of the information generated from them (Maylor & Blackmon, 2005), but as football is a notoriously difficult industry into which to get access, designing a questionnaire with open questions would potentially negatively impact upon the response rate. Closed questions present an advantage in that the respondent can state results quickly (Maylor & Blackmon, 2005). Likert scale responses also have additional benefits. Firstly, there is a benefit in terms of the reliability of the responses, and secondly, there is a benefit in that respondents can supply an answer which is more than simply an “agree” or “disagree” response (Kumar, 2008).

The two questionnaires consisted largely of questions that have been designed specifically for this research. As the number of questionnaires within the FDI and football literature is restricted, it was not possible to select a pre-existing questionnaire and re-use the questions for this thesis although some guidance was taken from studies such as Bitzenis (2001). Since football is a business that has many unique aspects, the application of a questionnaire based on solely profit seeking FDI ventures is not applicable in the football context. As this study combines elements of two literatures, it was decided that new questions would be designed based on the available theory in the literature. Also since this thesis deals with both the motives and spillover effects involved in football related FDI, this also necessitated the development of an original questionnaire.

5.6.2 Foreign-Owned Questionnaire

An example of this questionnaire is shown in appendix one. The first question on the foreign-owned questionnaire dealt with the motives behind the investment. This was a question which proposed both economic and non-economic elements as potential motives, such as prestige (Hamil & Walters, 2010, Sloane, 1971) Buraimo et al, (2006) as well as growth and profit (King, 1997, Andreff & Staudohar, 2000), and interest in football/sporting challenge (Sloane, 1971). The second question asked whether investment in another country had been considered. This was based on an approach used by Bitzenis et al (2009) who considered whether an investment in Greece would be extended to another country. The third question dealt with locational motives. Again, there was a mixture of sporting and non-sporting motives. The facilities response drew on the resources-capabilities and markets approach to FDI outlined in Dunning & Zhang (2008), while revenue generation and global appeal dealt with economic forces as per, Andreff & Staudohar (2000). The club availability criteria was included due to the arguments put forward about PLC ownership (Buraimo et al, 2006, Szymanski, 2006), while history was also included as a non-economic criterion. The fourth question considered regulation, and was linked to Meier (2008) and Lago et al (2006) who both considered the nature of regulation in football. Market-seeking motives (Dunning, 1994) were addressed in question five in relation to the market size of English football, while questions six and seven were general questions on the club ownership position.

Question Eight focused on the determinants involved in club selection and was based up various economic and non-economic factors. This included location as in Dunning (1998), growth potential as in Andreff & Staudohar (2000) and fan base, club availability and history. History was considered by Dunning (1994) to be a factor which has influenced FDI flows. Fan base is linked to market size and competitive advantage (Buraimo et al, 2007). Question nine was based upon the capabilities outlined by Dunning & Zhang (2008) but they were applied to football. Hence factors such as coaching and youth development were drawn into the responses. Questions ten and eleven were general in nature, with question eleven exploring previous football investments. Question twelve considered the advantages of foreign investment in football. This question takes into consideration both on and off-field performance. Improved off-field management, image, and financial performance are taken from Nauright & Ramfjord (2010), while Dunning (1994) also provides support for the improvements in off-field management and infrastructure. The next set of questions dealt with the spillover effects of FDI entering English football. Question thirteen explored the effects of foreign investment on clubs who have not received such investment. The basis for this question was from Girma et al (2001) and Haskel et al (2007) who both considered the effect of FDI on domestic firms. Question fourteen considers some of the effects of foreign investment and how they have impacted on English football. This includes both football and non-football related effects. Wage inflation was adapted from Girma et al (2001) and Lipsey & Sjoholm (2005), while transfer fees are a specific sport related issue that has a similarity with wage costs. League stature is noted by Sloane (1971) as league health so has been slightly amended. The two remaining potential responses dealt with management related effects as per Javorcik (2004), Konings (2001) and Mullen & Williams (2007).

Question fifteen and sixteen are also related to spillover effects, with question fifteen focusing on performance effects as per Haskel et al (2007) and Konings (2001), while question sixteen was a general question based upon the enhancement of the Premier League's image. The next three questions dealt with club specific issues in terms of employment and management. The employment question was related to Haskel et al (2007) and Girma et al (2001) in exploring the employment effects, while questions eighteen and nineteen are based upon Kiessling & Harvey (2006) in identifying the use of foreign management and new management techniques. The final question (related to the work of Sloane 1971), explored the objectives of a football club. Sloane's list of objectives was slightly adjusted to include youth development and community aspects rather than just league health or attendance. Profit and global growth are included as in Andreff & Staudohar (2000), King (1997), and Nauright & Ramfjord (2010), while on-field performance is also an objective also included in this question.

5.6.3 Domestically-Owned Questionnaire

With the approach behind the foreign owned questionnaire explained, a similar process was set out for the domestically owned questionnaire. There were some elements of similarity with the foreign owned questionnaire, but the domestically-owned questionnaire managed to draw out more of the spillover effects of the investment. An example of this questionnaire is shown in appendix two.

The first two questions were the same as those on the foreign owned questionnaire, and they helped to generate an overview of the clubs ownership position. Question three was also a general question which considered how the domestically owned clubs perceived the impact of foreign investment entering English football. The next questions considered the potential spillover effects which emerged from foreign investment entering English football. Question four dealt with the impact of foreign investment and was similar to question thirteen on the foreign owned questionnaire. The question is related to the work of Girma et al (2001) and Haskel et al (2007).

The fifth question asked respondents to consider a range of different impacts that have resulted from FDI entering the Premier League. This is similar to question fourteen on the foreign owned questionnaire. Hence, responses such as transfer and wage costs are included in the question as per Girma et al (2001) and Lipsey & Sjoholm (2005). Another possible response to this question referred to profit (King, 1997, Andreff & Staudohar, 2000), but there was also the inclusion of off-field skills (Nauright & Ramfjord, 2010) and standard of matches. Question six considered the effect of foreign investment on the competitiveness of the Premier League. This question is considered in relation to the competitive balance literature, i.e. Michie & Oughton (2004, Ramchandani, 2012), and through the FDI literature via Gugler & Brunner (2007) and Markusen & Venables (1999). Question seven considered how domestically owned clubs have been affected by foreign investment. The basis for this question is from Girma et al (2001), Haskel et al (2007) and Javorcik (2004), who all considered the effects of FDI on domestic firms. Question eight develops the ideas of question seven by focusing specifically on how foreign investment has affected competitiveness. The difficulties for domestically owned firms in competing with foreign owned firms are drawn out by studies such as Konings (2001) and Javorcik (2004).

Question nine referred to the specific impacts a club has faced. This focused on increasing wage costs as per Girma et al (2001) Mullen & Williams (2007) and Lipsey & Sjoholm (2005). Other responses included transfer costs which is adapted from the theory outlined by Girma et al (2001) in terms of wages, profitability which is considered from the sports economics side in King (1997) and Andreff & Staudohar (2000). This question can also be justified through the FDI literature, as Mullen & Williams (2007) and Girma et al (2001) both link labour quality to wages.

The final possible response to this question concerned commercial impacts of FDI, as outlined by Nauright & Ramfjord (2010). Question ten focused on potential ownership advantages as per Dunning (2001) and Lundan (2010). The focus was on the area of off-field advantages. Question eleven considered the advantages that FDI can generate for an acquired firm, so there was a focus on resources, management and growth (Dunning, 1994). Question twelve considered how the domestically owned clubs have responded to foreign investment entering other clubs. The responses invited included both on-field and off-field matters. This includes investment in players and non-playing staff, which indicates an increase in wages as per Mullen & Williams (2007). Other responses include exit (club placed up for sale) as per Javorcik (2004) and commercial expansion. Question thirteen focused on the benefits of foreign investment and draws on sporting and non-sporting factors. This includes league stature (adapted from Sloane, 1971), increased revenues Nauright & Ramfjord (2010), more professional management via Gorg & Greenaway (2004) and global appeal Nauright & Ramfjord, (2010). Question fourteen dealt with the drawbacks of foreign investment. The responses outlined in this question included wage inflation (as per Girma et al, 2001), transfer inflation, effect on spectators (Duke, 2002), increased debt (Lago et al, 2006), and the effect on competitiveness of domestically owned firms (Konings, 2001).

Question fifteen was a general question relating to the global appeal of the Premier League, while question sixteen is similar to question four on the foreign investment questionnaire. This question dealt with the effect of the regulatory environment as per Busse & Groizard (2008), Lago et al (2006) and Meier (2008). Question seventeen was the same as question three on the foreign owned questionnaire and allows a comparison to be obtained from the different ownership groups. Question eighteen was similar to question eight on the foreign owned questionnaire, although the responses are slightly different as financial impacts (King, 1997, Andreff & Staudohar, 2000) and image are considered as more appropriate responses. Question nineteen was similar to question nine on the foreign investment questionnaire and dealt with capabilities of an organisation as per Dunning & Zhang (2008). Question twenty dealt with the motivations of the investments as per question one on the foreign owned questionnaire, while question twenty-one was a general question on the motivations of the investors. Question twenty-two was the same as question twenty on the foreign owned questionnaire, and the final questionnaire was a general question about whether FDI should be encouraged or discouraged within the Premier League.

5.7. Interview Respondents

To supplement the club questionnaire data, as was explained, interviews were also sought.

Having considered the participants from Premier League clubs the next step was to contact Supporters Direct. Unlike bodies such as the FA and the Premier League, Supporters Direct is more open to researchers than other groups and institutions involved in English football. A benefit of getting access to Supporters Direct was this facilitated access to two supporter trusts. These interviews were set-up through snowball sampling. The choice of the two trusts (Fulham and Manchester United) was driven by the desired case study choices (explained later in this chapter). A third request was sent to the Arsenal supporters trust but no response was forthcoming from this.

The profiles of the club interview respondents are shown in Table 5.7:

Table 5.7: Club Management Respondents

Participants	Respondent A	Respondent E	Respondent F
Club	Wolves	West Brom	Stoke
Position	Senior Management (Board member)	Senior Management (Board member)	Senior Management (Board member)
Length of Service (Current Club)	14	12	7
Justification for selection	Experienced football administrator with experience at three different clubs over a twenty year period	Experienced senior manager, who has performed different roles at the club over the last 12 years.	Experienced senior manager who has worked at two clubs in a senior role. Was also involved at Stoke when club was run by Icelandic owners
How Approached	Through Mutual Contact. Conversation was initially conducted through email to arrange interview. Interview acted as pilot.	Questionnaire was initially addressed to the club chairman but he was unavailable. Respondent E was willing to participate, and interview was arranged through his PA.	Questionnaire was sent out to the participant and an interview was arranged through is P.A.
Interview Location	Molineux	The Hawthorns	Britannia Stadium

Table 5.8 shows the nature of the successful interview approach for this group.

Table 5.8: Supporters Direct and Supporter Respondents.

Participants	Respondent B	Respondent C	Respondent D
Trust	None. Supporters Direct	Manchester United	Fulham
Position	Senior Team Member	Director	Committee Member
Length of Service	3	Involved from 1990's beginning with Shareholders association.	From early 2000's beginning with keep Fulham at the Cottage movement
Justification for selection	To gain access in the supporter movement and also to get a different perspective on the topic issues when compared to the clubs. Participant has dealt with supporters who wish to take control of their own club.	The selection of Manchester United Supporters Trust (M.U.S.T) allowed the issues involved with the Manchester United takeover to be explored in detail. Participant has been strongly involved in the trusts activities.	Allowed issues involved with the Fulham takeover to be explored. Participant has been involved with the Fulham trust since its formation and has experience of some of the positives and negatives of foreign ownership.
How Approached	Initial contact through media manager at Supporters Direct. Interview then arranged to take place at AFC Telford's ground but then cancelled. Was then rearranged.	Contact details were passed on as a result of the Supporters Direct interview. Interview was then arranged to take place at Respondent C's workplace in Warrington.	Contact details were passed on as a result of the Supporters Direct interview. Contact was then made with participant via email. Interview was arranged for a mutually convenient location.
Interview Location	Supporters Direct London	Warrington (Participants work)	Tamworth (Mutual Location)

5.7.1 Interview Process

The interviews were conducted on a semi-structured basis. It was decided to choose this approach as some questions were related to a specific organizational context. A semi-structured approach also allows for the use of follow-up questions, and the order of questions also differed slightly due to the nature of the conversation with the respondent. For example, when dealing with the supporter trusts, there were questions based on the trust movement, whilst when dealing with the clubs, some questions were asked about the club's ownership position, but the key themes were the same across all of the interviews. If a fully structured interview method had been chosen then it would not have been possible to explore these issues, as it is inflexible (Maylor & Blackmon, 2005). By using a semi-structured method, variances in answers between trust and clubs could be allowed. A completely unstructured interview would have presented a greater challenge to analyse, so this was rejected as a method.

To help comparability of the results, the questions asked in the interviews were similar to those specified in the questionnaire although some differences did emerge. The question format in the interviews at Wolverhampton Wanderers, West Bromwich Albion, and Stoke City used the questions from the domestically-owned questionnaire as the basis for the interview questions. However, the participants were free to choose their own responses, rather than be limited to the responses that were stated in the questionnaire. This allowed for a greater richness to be derived from the interviews which in-turn creates the basis for a better quality of analysis. The questions in both the questionnaires and the interviews were divided into broad themes. Initial questions were based on the background of the club, the determinants of foreign investment in football, effects of foreign investment (both in terms of spillover effects and also the effect on the clubs taken over), and finally questions on football as a business. The interviews began with an introduction and an explanation of the ethical procedures. All of the participants were asked if they had any objection to being tape recorded. None of the participants raised any concerns.

The first questions in the interviews related to background information about the club or the participant involved. An example of the type of question used is shown below:

"Just to get a bit of background, what's the ownership position at Stoke City at present?"

Follow-on questions in the interviews were asked depending on the responses. For example, at West Bromwich Albion, questions were posed about the club's decision to delist from the stock exchange, while at Stoke City questions were asked about the club's previous ownership. This helped to add richness and depth to the earlier responses. For the supporter trusts, the following type of question was asked:

"Just to start with to get an overview, what is the function of the Fulham Supporters Trust? "

Additional follow-on questions to this concentrated on the objectives of the trust and its relationship with the club. This helped to explore the nature of the supporter trust in more detail and also provided an overview of the relationships supporters have with clubs that have been taken over by foreign investors. For the interview at Supporters Direct, questions were asked about the nature of Supporters Direct and its functions. Following on from this, Respondent B was asked about supporter participation and the nature of fan ownership. During the course of the interview, Respondent B stated some of the negative spillover effects so the discussion focused on some of these effects.

In some of the earlier interviews, questions were asked about football as a business which were supplementary to those on the questionnaire. However, in the later interviews these questions were modified, and both Respondent D and Respondent F made their own comments about football as a business without being prompted. These issues were the explored as they occurred.

The interviews generally lasted between forty-five minutes and one-hour. The shortest interview was thirty minutes. Having addressed the questionnaire and interview design, the next section of this chapter will consider the selection of the case studies.

5.8 Case Studies

Case Study research is argued to be useful when investigating a topic area which is not particularly well known. This is because a case study can generate an enhanced knowledge of a particular phenomenon (Ghauri, 2004). Further to this, case studies are considered effective when dealing with "how or why" questions (Yin, 1994). Case studies can also be used to address "what" questions (Ghauri, 2004). There are several different types of case study approach. It has been argued by Yin (1994) that there are three types of case studies, exploratory, explanatory and descriptive. In addition to this, cases can also be instrumental, intrinsic or collective (Stake, 1995).

5.8.1 Single and Multiple Case Studies

The number of case studies selected does not affect the quality of the case study research (Pauwels & Matthysens, 2004). Eisenhardt (1991) suggests that the number of chosen case studies depends on the topic being researched, and the amount of information that can be obtained from further case study research. It is also argued that there is no lower or upper limit to the number of cases that can be used in a study (Ghauri, 2004). This gives rise to two methods which are the single case and multiple case methods.

The single case can be either a typical case or an atypical case it has been argued that the selection of an atypical case can help to provide the richest information (Flyvbjerg, 2006). Extreme and critical cases can refer to cases where a notable failure or success has occurred. Moreover, the selection of a critical case study can be used as the single case under observation, as this will meet all of the conditions required to extend, confirm or question a theory (Ghauri, 2004). However when using a single case approach, problems can occur, such as over generalizability and bias which can include misjudging the representativeness of a single event (Leonard-Barton, 1990). If one case is used it may be more difficult to generalize the results of the case to the wider population.

The multiple-case method has developed from the limitations of the single-case approach. A single-case cannot distinguish between events that are unique or common, and from this there is no clear guidance for generalisation (Achen & Snidal, 1989). A single case study is also limited through the inability to compare with other cases and weaknesses in the theoretical approach (Achen & Snidal, 1989). The use of the multiple-case approach can help to overcome these weaknesses. A multiple case study approach will investigate the same issue across a number of different organisations or groups (Ghauri, 2004). This approach can also be comparative and the results of one case study can be compared to the results generated from a case study in another organisation (Yin, 2003, Ghauri, 2004), while it is also argued that the results can be replicated across different organisations (Eisenhardt, 1989). The effect of this should be to improve the level of generalizability from the case study to the wider population and by using this method it becomes possible to address the common and unique features present in the different case studies (Maylor & Blackmon, 2005). In terms of the selection of the multiple case studies, Pauwels & Matthysens (2004) argue that the multiple-case approach should be used to help generate more divergence in the data and more theory driven variances, and that a multiple-case study should not simply “create more of the same”. In contrast, Yin (1984) argues that the cases should be selected if they can replicate the results of other cases, or the cases should be chosen if they obtain contrary results, and choosing either of these types of case will improve the generalizability process. So if answers are replicated across several cases more confidence in the results can be generated (Yin, 1989). Multiple-case studies can also benefit the research process by allowing common patterns to be identified and as result limit the chances of assertions being made by chance (Eisenhardt, 1989).

5.8.2 Case Study Selection

When selecting the cases it was decided to use the information orientation approach as outlined by Flyvbjerg (2006), rather than a random sample which can return an inadequate group of case clubs (Seawright & Gerring, 2008). For example, foreign takeovers have occurred at Birmingham, Liverpool, and Blackburn since 2009. By selecting one of these cases, the secondary data generated would be deficient due to the short-time frame that the new owners have been in charge and would not provide the richness of detail that could be generated from other clubs even though it might be argued that a random sample could improve generalizability (Flyvbjerg, 2006). In terms of dealing with the case selection, Table 5.9 has a breakdown of all clubs that have competed in the Premier League from 1992 to 2011.

Table 5.9 Breakdown of Clubs who have competed in the Premier League 1992-2011

Number of Seasons	Clubs	Total
Twenty	Manchester United, Arsenal, Chelsea, Tottenham, Liverpool, Aston Villa, Everton	7
Nineteen		0
Eighteen	Newcastle United, Blackburn	2
Seventeen		0
Sixteen	West Ham,	1
Fifteen		0
Fourteen	Middlesbrough, Manchester City,	2
Thirteen	Bolton, Southampton,	2
Twelve	Leeds,	1
Eleven	Sunderland, Fulham	2
Ten		0
Nine	Coventry	1
Eight	Leicester, Charlton, Wimbledon, Sheffield Wed,	4
Seven	Wigan, Derby, Birmingham, Portsmouth,	4
Six	W.B.A,	1
Five	Q.P.R, Ipswich, Norwich, Nottm Forest,	4
Four	Stoke, Wolves, Crystal Palace,	3
Three	Sheffield United,	1
Two	Oldham, Bradford, Watford, Reading, Hull,	5
One	Swindon, Barnsley, Burnley, Blackpool, Swansea	5

(Source: Author Compilation)

As the case studies selected were to be from clubs with some form of foreign ownership, a number of clubs had to be discounted as potential case study targets as they have been controlled by domestic investors. The next stage was to eliminate those clubs which at the time of the research were under foreign control but not competing in the Premier League. This ruled out several clubs including Birmingham City, Sheffield Wednesday, and Hull City. All of these clubs were foreign owned, but at the time of the research they were competing in divisions outside of the Premier League. For clubs outside of the Premier League, the data which is available on both club performance and takeover motives is more limited. For example, the Deloitte annual review of football finance only covers the top two divisions (Premier League and Championship). It does not cover those clubs like Sheffield Wednesday, who at the time of this study, were playing in League One. The amount of coverage given to Premier League clubs in the national press and media is far greater than those in lower divisions. In the Premier League the analysis of the data is more straightforward as the increased availability of secondary data created a greater level of depth and richness to the analysis. This is a critical part of the qualitative research process (Chetty, 1996).

The sample was reduced, therefore, to ten clubs which were Arsenal, Aston Villa, Blackburn, Chelsea, Fulham, Liverpool, Manchester City, Manchester United, Queens Park Rangers, and Sunderland. All of these clubs have a form of foreign ownership and were current Premier League clubs as of 2011/2012. The details of these clubs are shown in Table 5.10:

Table 5.10 Foreign Owned EPL clubs in 2011/2012

Club	Ownership	Date	FDI from	Investment
Arsenal	Part	April 2007-April 2011	U.S.A/Russia	Share Purchase only
Aston Villa	Full	August 2006	U.S.A	Extensive
Blackburn	Full	November 2010	India	Limited
Chelsea	Full	July 2003	Russia	Extensive
Fulham	Full	May 1997	Egypt	Extensive
Liverpool	Full	October 2010	U.S.A	Moderate
Manchester City	Full	September 2008	Abu Dhabi	Extensive
Manchester Utd	Full	July 2005	U.S.A	Limited
Q.P.R	Full	August 2011	Malaysia	Moderate
Sunderland	Full	May 2009	U.S.A	Extensive

(Liverpool, Manchester City, Q.P.R, and Sunderland have all had more than one foreign takeover). (Source: Author compilation)

From this list of clubs, three were chosen as case studies. The maximum variation approach outlined by Flyvbjerg (2006) was used to select the case studies. In the football context, this approach highlighted the need for clubs of different sizes, with different investment levels and league positions to be selected as the chosen cases. The three clubs that finished in the Champions League places would not represent maximum variation. Another factor is that some clubs have been taken over by more than one foreign investor. This has occurred at four clubs, and the first case selection was a club that fitted this criterion. Queens Park Rangers were rejected as a case club on the basis that the acquisition of the club by Tony Fernandes did not take place until after the case study process had started, and this recent acquisition has produced little published data available to support a detailed analysis. Previously, Queens Park Rangers were part-foreign owned, but the club had also spent several seasons in the third tier of English football, which further impacts on the availability of data. Liverpool has been owned by two groups of North American investors from 2007 onwards, but the most recent takeover only took place in the autumn of 2010. At the time of research, there was little published data available on this second takeover. Hence this would not have been a good choice to consider the effects of a foreign takeover. Of the two remaining, clubs, Manchester City were selected ahead of Sunderland because it provided an example of a case study where a club has received extremely significant investment from a benefactor (Dobson & Goddard, 2011). More data is also available on the effects of the takeovers at Manchester City when compared with Sunderland.

This then leaves six clubs from which to choose the remaining two case studies. Blackburn was rejected on the basis of data availability. Blackburn had only been under foreign control from the autumn of 2010 and this represents too short a time period in which to analyse the effects of the takeover. Also at the time of the case study selection, no full season data was available to support the analysis. Of the remaining clubs, Arsenal was also rejected on the basis on data availability, and the recent period in which share acquisitions have taken place. The latest significant acquisition of shares in Arsenal only took place during April 2011, so there is a shortage of data on financial performance etc. Additionally, Arsenal is not fully controlled by one single investor, and the effects of this investment are more difficult to ascertain. Of the remaining four clubs, Manchester United and Fulham were then selected as case study clubs.

This was motivated by several factors. Firstly, access was granted to the supporter trusts of both clubs, while no qualitative data was available for Aston Villa and Chelsea. Hence this gives a greater depth and richness for Fulham and Manchester United over the other two clubs. Secondly, the selection of Manchester United also gives an example of a large market club that had been taken control through the use of a leveraged buyout (Nauright & Ramfjord, 2010). As only two clubs have been taken over using this strategy (Liverpool are the second club), selecting both clubs would potentially bias the sample. Manchester United also provides evidence of a club owner seemingly motivated more by profit than sporting performance (Nauright & Ramfjord, 2010). This again helps to provide a different context to the other clubs selected. Fulham provides an example of a smaller club taken over by a foreign investor (who has provided significant support to improve the standing of the club). Aston Villa and Chelsea are considered to be larger clubs than Fulham, so selecting Fulham will fit in with the maximum variation strategy. A further advantage of both Manchester City and Fulham is that they have been controlled by foreign investors for a significant period of time. Hence this means that additional secondary data is available to support the analysis.

Fulham have been controlled by Mohamed Al-Fayed from 1997 onwards. They provide evidence of one of the early foreign takeovers in English football, and there is a large amount of data available on Fulham as a result. With a large amount of data, the motives and consequences of the takeover can be analysed in detail, and this should also further limit conclusions being created by chance (Eisenhardt, 1989).

For the second case study, Manchester United has been foreign controlled since 2005, so the ownership period has been more medium term. One of the benefits of Manchester United's size is that there is a large amount of secondary data available which discusses the performance of the club and the drivers behind the takeover. Articles, such as that by Szymanski (1998), which discuss the performance of the club under domestic ownership, allow comparisons to be drawn between foreign and domestic ownership at the club. The use of a leveraged buyout is not common in English football club acquisitions, so using the Manchester United takeover as a case study can also show elements of an atypical takeover. Manchester City has been foreign owned since 2007, and the current owners, the Abu Dhabi United Group have been in control since 2008. This is a shorter-term period than the other two clubs selected so this generates another benefit when considering the maximum variation of the cases, while still being able to access the required level of data. As both foreign takeovers at Manchester City were high profile, there is a range of secondary data available to provide sufficient evidence for the case study. This should provide a contrast to the other cases and will fulfil the requirements for maximum variation (Flyvbjerg, 2006).

5.8.3 Case Study Approach

Whilst the thesis will be using a case study approach to help address the consequences of FDI, the cases will not appear as distinct sections. Instead, this material will be integrated into the analysis of the consequences section in chapter seven. In practical terms, this will help to avoid any issues with repetition where there are similarities between the three case clubs. Also, this will enable any wider common data surrounding the consequences of FDI entering the Premier League to be brought into the analysis. Therefore, separate sections can be devised for issues concerning revenues, profits, and wages etc. In this case, it is more effective than to simply split the cases into distinct sections based on each of the clubs. For instance, comparisons on aspects like revenue can be made immediately between the clubs, rather than across different sections.

5.9 Data Analysis

With the data collection methods now established, the methods of data analysis used in this study will now be evaluated. As this study is qualitatively based, the chosen method for the analysis of the collected primary and secondary material is content analysis with a focus on themes. This particular method has been chosen as it enabled the identification of the key underlying themes from the collected data (Maylor & Blackmon, 2005). In the wider literature there has long been a debate about the nature of the content analysis. Indeed some arguments have considered this approach to be quantitative in nature, whilst the level of reliability given to the results is enhanced (Seale & Silverman, 1997).

For both the secondary material and the interview responses, the data was coded in relation to particular themes, for example, where a particular motive was suggested, all responses were coded similarly. To understand the underlying factors behind a motive, this was then aligned into economic or non-economic factors. A third classification existed in terms of institutional and regulatory aspects. So if a respondent suggested profit as a motive, this was described under the heading of economic motive. In the secondary data, the statements issued following the takeover of a club were considered. The content analysis was conducted in a similar manner to that in the primary data with the splitting of motives into the different themes. For the effects of FDI, a similar procedure was followed as the themes from this aspect were considered in terms of the various effects such as wage costs, competitive balance and so on. There was, however, no breakdown of these effects into economic or non-economic aspects. Once these groups had been established and ordered, the meaning surrounding these statements was explored.

As the study is qualitatively based, issues can arise with regards to reliability and validity, and the choice of a content analysis as the data analysis technique overcomes some of these issues (Maylor & Blackmon, 2005). Some of these biases are evident in the collected data. A respondent from a Premier League club was less likely to criticise the league than those from outside. The consequences of such issues are commented on in the analysis chapters.

When investigating some of the consequences of FDI, we need to distinguish between the analysis of the economic impact and the narrower on field sporting impact. In this latter case we do encounter a data rich environment at least in terms of win, lose, draw, points gained, goals, and league position etc. This does allow for a more quantitative analysis and especially of the question of competitive balance. As identified in chapter four, *in the sporting sphere*, competitiveness is analysed through the idea of competitive balance. There are two broad approaches used in the literature. The Analysing Competitive Balance (ACB) approach investigates how competitive balance has changed over time, and considers how business practice changes have affected competitive balance (Fort & Maxcy, 2003). The second part of the competitive balance literature concerns the uncertainty of outcome hypothesis (UOH), which analyses the effect of competitive balance changes on fans. This is used in studies by Forrest & Simmons (2002) and Forrest et al (2005) in relation to football. As this study is focused on a change in business practice (i.e. foreign ownership), and is concerned with changes over-time, the ACB approach will be followed.

Within the ACB literature, a range of approaches have been used. Firstly, studies such as Szymanski (2001) have used the standard deviation of win percentages (SDW) to calculate the competitive balance. Humphreys (2002) devised the competitive balance ratio (CBR) which built on this particular approach to more effectively consider seasonal changes. However, the use of wins only in football presents a difficulty due to the frequency of drawn matches (Michie & Oughton, 2004). Therefore, the SDW measure and the CBR are not wholly appropriate for use in this study as they do not present a full picture of the total points gained in a season.

In relation to football, Michie & Oughton (2004) used a range of techniques including the Herfindahl index, Lorenz curve, and C5 Ratio and Index to calculate changes in competitive balance across English football. The use of these measures presented a detailed analysis of competitive balance, but according to Borooah & Mangan (2012) this study whilst factual did not make analytical arguments. As a result they proposed the use of generalised entropy in order to investigate inequality within the Premier League. Not only did this approach measure inequality within the Premier League, but it was also linked to social welfare (or league welfare) which is measured based on the point’s distribution. However, Pawlowski et al (2010) use a similar range of measures to Michie & Oughton (2004), although they make use of the CBR (adapted from Humphreys, 2002) in their study. Additionally, Ramchandani (2012) also used the Herfindahl

Index, whilst concentration ratios were used for the top four and top ten clubs. In contrast, to Pawlowski et al (2010) and Michie & Oughton (2004), inter-quartile ranges were also used to evaluate points' distribution, whilst the strength of the relationships was shown through correlation calculations.

Competitive balance has also been measured through a time series approach using various break points at times of change (i.e. a break point existed due to the expansion of the Champions League) (Lee & Fort, 2012). Within this method, Lee & Fort (2012) made use of the Konings concentration ratio, which is calculated on a similar basis to the C5 Ratio. However, Konings approach has more flexibility as three or four teams points can be compared to the rest of the division. Furthermore, Gossens (2006) has effectively used a 'C3' Ratio, but the number of "top" teams is now considered as being larger than three. The Lee & Fort (2012) study also uses the Scully-Noll ratio in order to find the overall dispersion of wins or points. A weakness of this second ratio is the bias towards wins, and the application of the Scully-Noll ratio has traditionally been focused on North American sport (where drawn matches are uncommon). As with the SDW index such a measure is not wholly relevant for football.

In considering the possibility of a narrow sports related impact for FDI this study will follow the approach used by Michie & Oughton (2004). This study analyses competitive balance across English football using the Herfindahl Index, C5 Ratio and Index, as well as the Lorenz Curve. These measures have wider applications, as the Herfindahl Index and C5 Ratio are both used to evaluate the concentration of an industry, whilst the Lorenz Curve is used to determine income distributions. The Herfindahl Index takes into consideration all competitors in a league or market, which enables inequalities between firms to be found. In contrast the C5 Ratio will compare the points gained by the top five clubs against the rest of a division. This measure is limited as it only looks at the top five clubs, but this is still wider than the approach used by

Gossens (2006) where he took three clubs (Michie & Oughton, 2004). However, the C5 Ratio will be modified in order to investigate the points gained by the bottom five clubs verses the rest of the division. This takes into consideration the work of those such as Borooah & Mangan (2012) and Ramchandani (2012) who investigate different groups of clubs (not only the top five). The C5 Index will not be used as there is no need to adjust the C5 ratio for changes in league size. The most critical part of the focus in this study concerns the last decade where the league has remained constant in size. In the 1995 the Premier League was reduced from twenty-two teams to twenty. Such a change has not occurred since this point. The Lorenz curve will be used as this will compare the point's distribution across the Premier League with the ideal distribution (Michie & Oughton, 2004).

In terms of productivity measurements, a significant amount of the literature has made use of various econometric models (i.e. Barros et al, 2009, Barros & Leach, 2006, Haas, 2003, Barros & Garcia-del-Barrio, 2010 and Espita-Escuer & Garcia-Cebrian, 2004). These models combined elements of on-field and off-field performance, but for the purpose of this study productivity will be considered in light of on-field aspects. Within the football literature, total wage spending has been related strongly to performance (Szymanski & Smith, 1997). As a result, those clubs which spend the most amount of money on wages should achieve greater success than those who spend a smaller amount.

However, in contrast to other forms of business, traditional economic approaches to productivity are not wholly applicable. Measures surrounding output per person do not fit the sporting context due to the removal of a player not often benefitting teams. Additionally, the total output is constrained by the number of matches and number of points available in a season. Moreover, this indicates those measures used in the productivity and FDI literature are not wholly applicable. In order to consider productivity, this study will use the approach developed by Jones & Cook (2014). This study measures output through the total points gained, and instead of considering this by person or hour, in the footballing context total wage spend is used. This will cover the total wage spending in relation to the entire playing squad. By using this method it becomes apparent whether a club has under or over performed. This approach is in contrast to Tomkins et al (2010) who make use of transfer costs rather than wages. Whilst these costs are adjusted for inflation, transfer costs do not cover the whole costs of a squad as some players may arrive on free transfers, or through the youth system. The comparison of wages to points was conducted by Deloitte (2012), although they did not invert the calculation to show productivity. In addition, league position will also be related to wage spending (as shown by Deloitte, 2007, 2010, 2011, 2012). This process will help to further identify whether clubs are under or over performing in relation to their wage spending. Through finding these differences, productivity improvements or weaknesses can be found.

5.10 Summary

This chapter has summarised the methodological processes used in this thesis. There has been an identification of the methods used in the topic areas of FDI and sports economics to be used in this thesis. The choices made in this thesis have then been explained in light of the research questions and the existing literature. The multi-method approach used in this thesis is unique within the topic areas. Having established the chosen methodology, the next chapter begins the analysis process with the consideration of the motives behind football FDI.

Chapter 6: Motives of Football FDI

Having addressed the various methodological approaches for undertaking research in the previous chapter, this chapter considers the motives behind inbound FDI to the Premier League football clubs. It does so through using a combination of the qualitative survey data from stakeholders in the Premier League and some secondary data where relevant.

Since we are concerned with the motivation to explore what factors might have influenced the decision making process *before* the investment was made. If the investment did subsequently yield a profit this does not mean investors might not have thought it might make a profit. But we can raise questions about the realism of a profit expectation before the investment.

The motives behind FDI are generally economic, but other factors may also be present, and in the case of sport and football particularly, these non-economic factors are even more important to consider. Here the data is reviewed in terms of economic and non-economic factors, such as business acumen, financial factors, club availability, the attractiveness of English football, promotion (of image or company), status enhancement, political considerations, sporting interest, and regulatory factors. These will now be explored in-turn.

6.1 Business Acumen

The first motive to be considered, and which is evident in the qualitative data concerns the general area of business acumen. Foreign investors in the football sector might possess particular ownership interests and advantages which might explain an FDI decision. One noted by Respondent A was that of

"The "cute businessman" angle"

Here it is suggested that the foreign owner, seeking an economic return on their investment, might have sensed an opportunity to benefit from, and improve, the financial performance of their club. Those investors from North America, specifically, were believed to have held ownership advantages in these terms:

"Well I think that they [North American investors] *will be more savvy and experienced to the global marketing opportunities of sport" (Respondent A)*

This group of owners were considered to have access to particular knowledge and expertise which investors from other regions did not possess. The nature of the North American sport market was considered as particularly relevant:

"Although American sports don't travel particularly outside America, the size of America is almost a global entity in itself isn't it?" (Respondent A)

"*they understand sport, they understand the sporting model; it's a different model in the US but nevertheless there are similarities in the fundamentals of what a sports club is" (Respondent F)*

The advantages in the US sports market were considered, therefore, to be globally transferable.

An example of where business acumen appears to have influenced a takeover has been noted at Manchester United:

Prior to the takeover of the club by the Glazer family in 2005, Malcolm Glazer had argued that the then management were guilty of under exploiting the clubs brand. Such an argument was based on the observation that Glazer was a 'businessman' first and foremost. This was different to other team owners who were more interested in sporting results (Pratley, 2005).

At this time, Manchester United's commercial revenues were £49m (Swiss Ramble, 2011). However, this situation was to change dramatically under foreign ownership:

> *"I think if you spoke to David Gill he would say that they've benefitted from the American ownership. Not through direct investment but through the expertise and marketing, because their commercial revenue is now over £100 million, which is staggering" (Respondent E)*

The increase in commercial revenues suggested that the Glazer family might have brought with them some advantages which were transferred into Manchester United. As Panja (2011) noted, there has been an increase in size of the clubs marketing and commercial department.

But was the growth at Manchester United really due to the Glazer family or to a natural evolution? Respondent A was less certain:

> *"Will an organisation that was mature and as good as Manchester United have learnt any new tricks from the Glazers? I Doubt it personally" (Respondent A)*

This raises doubts about the actual significance of the business acumen held by foreign investors. But would a foreign investor have elected to invest in a Premier League club if they did not believe that they held advantages over other investors? The notion of business acumen indicates that foreign investors might seek to improve commercial performance, but what were the more direct financial motives behind purchases?

6.2 Financial Motives

More specific than business acumen is the expectation of direct reward. Some foreign investors might have purchased a club due to straight forward financial motivations:

"The other camp of foreign investor [i.e. Glazer family] *is in it for the return that can be made"*

(Respondent A)

Business acumen is related to FDI, specifically to enhance financial performance. This narrative does automatically mean profits, it implies that investors might enter the Premier League specifically in order to generate profits or in the expectation of generating profits. But it is important to distinguish here between revenue and profit. Revenue expectations for the Premier League might be high.

In 1995/1996, the Premier League generated €501m of revenue compared to €452m for the second highest league which was Serie A (Deloitte, 2007). Over time, this gap in revenues between the Premier League and other European leagues steadily increased, reaching €1bn in 2007/2008, with the Premier League generating €2.4bn compared to €1.4bn for La Liga, Bundesliga, and Serie A (Deloitte, 2010). In 2010/2011, total revenues in the Premier League were €2.5bn, compared to €1.7bn for each of the Bundesliga and La Liga, and €1.6bn for Serie A (Deloitte, 2013).Hence, for those investors seeking financial returns, the Premier League offered a more lucrative market than other European leagues. Indeed, revenue generation in English football was viewed as an important factor in influencing football FDI according to the questionnaire responses from foreign owned clubs.

From the secondary data it was apparent that television revenues have been an important source of revenues in the Premier League. This is highlighted in Table 6.1

Table 6.1 Annual value of Premier League broadcasting deals 1992/93 to 2012/13

Contract	Domestic (£m)	International (£m)	Total (£m)
92/93 to 96/97	43	9	52
97/98 to 00/01	186	25	211
01/02 to 03/04	476	59	535
04/05 to 06/07	440	107	547
07/08 to 09/10	710	225	935
10/11 to 12/13	717	480	1,197

(Source: Deloitte Annual Review of Football Finance, 2012)

Over the history of the Premier League, television revenues have risen from £52m per season to approximately £1.2bn. In 2010/2011, 54% of the total revenues for the Premier League came from television. By comparison, in 1992/1993, 25% of the Premier Leagues revenue was generated from television rights contracts (Deloitte, 2012).

A further impact of the rise in value of television contracts concerned the potential for even larger future increases. A number of takeovers, including those at Portsmouth, Aston Villa, West Ham, Liverpool, Manchester City (twice), and Derby took place between the 2006 and 2008. During this time, there was either the expectation of greater revenues from television or the realisation of these revenues (due to the new television rights contract beginning in the summer of 2007). Hence, this may have been perceived to be an ideal time to invest in a Premier League club due to the extra revenues, as well as the expectation of even higher future revenues. Alongside the expectation of greater revenues was also an expectation that these revenues would lead to greater profits (Deloitte, 2007).

This aspect of television rights as a driver of FDI within the Premier League was stated by a number of respondents.

"The investment from what I can see comes after the year-on-year increase in the quality of the deals that are being struck between the clubs and the television companies for the broadcast rights" (Respondent D).

The 'quality of the deals' is likely to refer to higher revenues generated from television, but a greater quantity of Premier League football was also shown as a result of these deals.

When purchasing Liverpool in 2007, Tom Hicks and George Gillett made reference to television rights contracts:

"The new TV contracts are outstanding and we are proud to be a part of it" (BBC, 2007)

Hicks & Gillett did not suggest specifically why the contracts were outstanding, but the implication is that this was also due to the level of revenues associated with the new contracts. The use of the phrase "proud to be a part of it" is interesting in its ambiguity since it might refer to the Club, the status of the Premier League more generally, the link to the television contracts, and perhaps the potential enhancement of their own profits.

Television rights contracts were also stated as a motive in the takeover of Manchester United by the Glazer's. However, there is some evidence from the secondary data suggesting that the Glazer family were seeking to break-up the Premier League's collective deal in order to generate more revenue for Manchester United through an individual rights system (Fraser, 2005). While the Glazer family have not elected to force through such a break-up of the collective deal, the value of new television contracts signed from 2007 was beneficial for Manchester United as they generated £60.4m in television rights revenue in 2010/2011 (Deloitte, 2012) compared to £30.6m in 2005/2006 (Deloitte, 2007). An insider also provided support for the claims surrounding the break-up of the collective system:

"One thing that some of them are probably thinking of at the moment is that we have got this collective TV deal, but it's under pressure. If that was to be blown apart, and you went down the Spanish model, where Barcelona and Real Madrid are able to do their own TV deals, then…"

(Respondent A)

Although any move to break up the collective system of television rights contracts would face opposition from smaller Premier League clubs, for an insider to be speculating on its potential break-up is of particular significance. Such a move would benefit a minority of clubs such as Manchester United and Liverpool, as they would be able to negotiate a greater level of income from television companies due to their size and popularity.

The influence on FDI of the other two sources of income (commercial and matchday), in determining the motives for FDI was less apparent. In commercial revenues, the Premier League lags behind the German Bundesliga. For instance, in 2010/2011, total commercial and sponsorship income in the Bundesliga was €816m compared to €600m in the Premier League (Deloitte, 2012). Furthermore, this gap had increased from 2005/2006 where €568m was generated in commercial revenues by the Bundesliga and €500m by the Premier League (Deloitte, 2007).

The third area of revenue generation was income generated from matchday sources. The Premier League has held an advantage over other leagues in this particular aspect. Premier

League clubs steadily increased their flow of income from this source, with total matchday revenues for the Premier League reaching £551m in 2010/2011, peaking at £573m in 2008/2009 (Deloitte, 2012). However, in proportionate terms, the importance of matchday income is declining, comprising only 24% of the total income in the Premier League during 2010/2011 (Deloitte, 2012). Matchday income may not be as critical as television revenue in motivating foreign investors to enter the Premier League, but unquestionably a larger stadium and support base is desirable (as well as the ability to charge higher prices).

Whilst revenues can be shown to be a motivating factor for some foreign investors, the financial factor of key importance is profit. There was no consistent narrative surrounding profit and football FDI. First we should note that an explicit endorsement of expected profit was rare in the qualitative (and other data). From the questionnaires, only two responses indicated profit was a motive influencing FDI, but other respondents questioned whether profit was really a motive influencing foreign takeovers. Nothing was said as to whether this profit was long-term, short-term, direct, or in-direct.

However, in contrast, those in the interview responses were more willing to discuss profits. In-terms of short-term profit, yearly income profits were noted as a motivating factor in the takeover of Manchester United by the Glazer family:

"We [Manchester United] *were the most profitable club" (Respondent C)*

"Basically when they [Glazer Family] came in, they were buying shares and they had ended up with around 24%, which they could then sell, get rid make a nice profit on because United were turning good profits then and get out" (Respondent C)

"The Glazers appears to be more about we're not exploiting the value but let's go in and do that and generate profits from it" (Respondent F)

However, another contradiction emerged. As Manchester United was purchased through the use of a significant amount of borrowed funds, the ability to generate profits in the short-term was affected by the cost of financing these debts over the longer-term. So perhaps in reality, the profit that was being sought was more on a long-term basis. Long-term profits were more of an objective with the sale of a club though:

"I don't think you would look at it as profit from an income profit, perhaps as a capital one in selling the business on" (Respondent E)

"*So some of them are looking for a profit, some of them I think are potentially looking to make a profit of taking on a club and then selling it on" (Respondent B)*

"I think people are moving into the Premier League in the misguided hope, that they can make a very rapid killing in three-to-five years, this may well be the move of say for example, Venky's" (Respondent D)

But the purchase of a football might generate a longer-term return. This was further driven by the perception that some clubs might have been undervalued, and as a result these clubs might be especially attractive to foreign investors.

"*you've got the value play if its undervalued buy it, turn it round, couple of years later sell it make a big profit" (Respondent F)*

"I think they recognised in Premier League clubs that fundamentally some of them were undervalued" (Respondent F)

Respondent F went further,

"The best example was Hicks and Gillett perhaps and it didn't work out for them. But I think they bought Liverpool Football Club thinking they could make a quick profit on it over a couple of years"

In one sense this was a rational strategy, but using the case of Tom Hicks and George Gillett at Liverpool, the expected returns from the sale of the club did not materialise due to financial problems driven by the acquisition debt placed onto the club.

In any industry there is always a gap between what might be expected and what is achieved. The size of the gap between profit expectations and the realisation of actual profit, as is shown, is a major problem in evaluating the motives of FDI in football. In football there was no guarantee of this strategy generating profits for a foreign investor. This raises concerns about this type of strategy:

"I think people are moving into the Premier League in the hope….the misguided hope, that they can make a very rapid killing in three-to-five years. This may well be the move of say for example, Venky's, and the costs and everything else are catching up on them very rapidly" (Respondent D)

In other industries, firms may attempt to reduce costs in order to generate profits, but such a strategy in football often leads to a decline in performance due to the competitive nature of the labour market for players. So, even if an asset has been perceived to be undervalued the costs of operating a football club might erode the potential profits which can made by a foreign investor. The irrationality of seeking profits in football was considered further:

"*There's the vanity of the turnover, but not the reality of the profit" (Respondent E)*

This reflects an important economic argument surrounding the nature of turnover and profit. Whilst, clubs in the Premier League can be argued to have been generating record revenues, these have not translated into record profits. For an investor this may have provided a benefit to their 'ego' but it did not benefit their finances. Thus, whilst some foreign investors unquestionably were motivated by profits, *if this was their main motive* then the realism of such motives is questionable in light of the economic environment of English football.

There is a third dimension to the financial aspect of owning a Premier League club and that is for the diversification of revenues (for a foreign investor). This particular strategy was related to those investors from oil rich countries in the Middle East (i.e. Abu Dhabi and Qatar). Ownership of football clubs could be part of a wider strategy to diversify revenue streams:

"When the oil runs out what are they going to do? Because they have got no money so they have got to start bringing in other income lines" (Respondent C)

Diversification can also exist for other foreign investors, but in a slightly different way. In this sense, the diversification relates to the business organisations controlled by the foreign investor:

"I can't imagine that Stan Kroenke is doing it for any other reason, than a business opportunity to add something else to his sports empire" (Respondent A)

Through part ownership of Arsenal, Stan Kroenke would be able to extend his business interests, and therefore, was able to generate an opportunity for other parts of his business empire.

6.3 Club Availability

Alongside the financial motives, football club purchases have been motivated by club availability. The results from the questionnaire suggested club availability was believed to be a factor which motivated FDI, but why were clubs available? Table 6.2 shows some of the clubs sold to foreign investors, with a common feature being their financial problems (for an existing owner or club).

Table 6.2 Takeovers Motivated by Financial Problems or owners inability to invest

	Club and Purchaser
In Administration	Portsmouth (MM), Portsmouth (BC), Southampton (ML)
Financial Problems	Chelsea (RA), Liverpool (FSG),
Owner unable to continue to invest	Man City (SM), Portsmouth (SAF), Portsmouth (AAF), Sunderland (ES), West Ham (CBH)

*= Initials represent buying group/owner. See Appendix three for full details.

It is apparent from this table that the third group (owner unable to continue to invest) was solely made up of clubs in foreign ownership. In these cases, the impact of the global financial crisis of 2008 was a significant driver in forcing the sale of these clubs (i.e. West Ham, Portsmouth and Sunderland). At Manchester City, the personal situation of Thaksin Shinawatra forced the sale of the club (Conn, 2012).

The importance of club availability was also highly influential in the choice of Chelsea. Roman Abramovich had the choice of several clubs, but one of the deciding factors in favour of Chelsea was that the club was up for sale (Randall, 2003).

Other clubs (such as Tottenham or Manchester United) had better financial management, but they were not as openly available compared with Chelsea in 2003 (Randall, 2003). Hence, the takeover of Chelsea was completed more quickly than was possible with these two clubs, satisfying desire for a ‘quick’ takeover (Scott, 2005).

Clubs have also been made available due to the unwillingness of an owner to continue investing in a club. Examples of these are shown in Table 6.3

Table 6.3: Sales of clubs motivated by existing owners being unwilling to invest

	Clubs and Purchasers
Unwilling to continue to invest	Aston Villa (RL), Birmingham (CY), Blackburn (V), Derby (GSE), Fulham (MAF), Liverpool (TH & GG), Man City (TS), Q.P.R (TF), Portsmouth (AG), Reading (AZ), Sunderland (D),

*= Initials represent buying group/owner. See Appendix three for full details.

In contrast to Table 6.2, the majority of clubs in Table 6.3 had domestic owners. In the case of Fulham, Mohamed Al-Fayed’s interest in purchasing the club was driven by Fulham being made available for sale (Al-Fayed.com, no date). Indeed, this suggested a wider argument about club availability:

“In the nineties probably as a consequence of the many problems that English football had faced during the 1980’s, clubs in general were up for grabs, investment levels were relatively low, Fulham were one of the best examples of this, we were I wouldn’t say a sitting target, but we were there” (Respondent D)

The weakness of Fulham in terms of league performance, infrastructure, and finances, meant that they were open to additional investment. With other takeovers the same intense financial position was not present, but domestic owners were unwilling invest due to costs from player wages and transfers. An example of this was Blackburn, where the club's last domestic owners (The Walker Trust) were unwilling to fund the clubs operations due to increasing costs, and as a result the club was placed up for sale (Conn, 2008).

However, some foreign owners have also been unwilling to invest in their club. Queens Park Rangers (with part foreign ownership) is an example. The club was sold to new foreign owners shortly after promotion was gained in the summer of 2011. The club was subsequently sold onto another set of foreign investors.

6.4 Attractiveness

If profit, revenues, diversification, and the availability of clubs are all factors which have motivated foreign investors to become involved in Premier League football alongside these factors, there are also the historical roots of football. For some insiders there is the view that English football is unique when compared to other European nations.

> *"If people were genuinely interested in football then you would say it's the place of birth of football in the world, it's got all of the history, it's got the fan culture that goes with it" (Respondent B)*

> *"I think it enhances the product, the atmosphere that our crowds generate" (Respondent A)*

Therefore, there are intangible attractiveness factors surrounding English football. These elements, alongside the historical factors outlined above, provide some locational advantages over other nations, but there is a question as to how important these elements are. For example, the criterion of 'history' recorded a mostly significant response from the questionnaires; with the majority of insiders suggesting that the historical nature of English football was important to foreign investors. However this view is not universal.

This discourse of uniqueness was further enhanced within the Premier League context:

"The biggest football league and best football league in the world is arguably the Premier League" (Respondent A)

"It's by far and away the most popular league in the world" (Respondent E)

When developing these arguments surrounding the Premier League, the insiders (rather unsurprisingly) presented a strongly positive picture concerning the appeal of the league:

"The profile of the English football, it's as far as a media-savvy product, the Premier League are extremely good at marketing it (Respondent E)

"It's by far and away the most popular league in the world, even if we look at our own UK, I think we forget how big the market is over in the Far East, in India, in the Middle East, and in America. It's just huge. And obviously that's why they're interested in it" (Respondent E)

"*Premier League goes out to 212 countries, 700 million homes, 2 billion individuals and the media value of that is huge, absolutely huge" (Respondent F)*

These arguments reflect the 'locational' advantages associated with the Premier League, and its global coverage, and in particular these features were attractive to those investors who held economic motives. But as such statements were made by the insiders, this might reflect the desire to promote the image of the Premier League in a positive manner and to protect their own position.

Another unique element of the appeal of the Premier League referred to its competitiveness.

"The appeal of the Premier League is the competitiveness of it in many ways" (Respondent A)

This reflects a number of arguments also made in the media by club insiders and football pundits in suggesting the Premier League was highly competitive. While these issues will be explored further in chapter seven, in terms of the consequences of FDI, there was no reference as to why the Premier League was considered as competitive, and whether or not FDI has impacted on the Premier League in this aspect.

Aside from the aspects of uniqueness surrounding English football and the Premier League outlined above, there were also attractiveness features for particular clubs which might have influenced the choice made by a foreign investor. These included club history, image, support base, growth potential as well as location. Table 6.4 claims fourteen instances of a clubs history influencing the selection of a club for takeover. This table was generated by gathering data from the various statements released after a takeover has taken place, although, again there may be an element of good public relations presentation here.

Table 6.4 Takeovers influenced by history or image of a club

History	14	Aston Villa (RL), Portsmouth (SAF), Liverpool (TH & GG), Man Utd (G), Man City (SM), West Ham (BG), Southampton (ML), QPR (FB), Wimbledon (AKER), Sunderland (D), Sunderland (ES), Liverpool (NESV), QPR (TF), Blackburn (V)

*= Initials represent buying group/owner. See Appendix three for full details.

The results from the questionnaires also supported the notion of club history being an important factor. Three of the four questionnaire responses suggested club history was influential in the selection of clubs purchased. However, ironically the one response which did not suggest history to be important was from a club which underwent a foreign takeover.

However, some foreign owners had used phrases surrounding a clubs history or image as a method of appealing to sceptical club supporters who were unsure of a foreign investor's motive for purchasing a club. By showing they are aware of such issues; at least foreign owners were creating empathy with supporters, but of course, saying and meaning are different things as shown in the case of Liverpool (Williams & Hopkins, 2011).

References to supporters being a determining influence have been recorded in ten takeovers. Again this data was also taken from statements made following a takeover:

Table 6.5 Takeovers influenced by club support

Support	10	Aston Villa (RL), Portsmouth (SAF), Liverpool (TH & GG), Man City (SM), Man Utd (G), Southampton (ML), QPR (TF), Sunderland (D) , Sunderland (ES), Liverpool (NESV)

*= Initials represent buying group/owner. See Appendix three for full details.

The importance of club support is both an economic and non-economic element to the operation of a football club. One of the insiders highlighted the economic impact:

"Yeah, obviously because of larger fan base means a greater possibility of selling products to fans, the greater chance of getting them more locally involved as season ticket holders…the very large clubs with an international support, Liverpool and Manchester United in particular, and Arsenal can always count on a strong base of foreign fans" (Respondent D)

There was no reference to the nature of support (i.e. loyalty), or other non-economic narratives in this statement. However, in reference to Manchester City the nature of support was drawn out as a factor influencing the takeover. According to Sheikh Mansour, Manchester City had a 'loyal' and 'passionate' fan base which made the club attractive (mcfc.co.uk, 2009).

Alongside history and support, the location of a football club was considered to be an important factor in influencing the choices made by foreign investors. This was noted by both the foreign and domestic ally owned respondents. Such importance was suggested in the case of Chelsea:

"I've [Roman Abramovich] *got the money to have a team, I'll have a team. A big benefit that it's in London, one of the great cities of the world" (Respondent A)*

The importance of a London location to Abramovich is considered in the wider literature to have influenced the selection of Chelsea over Manchester United (Scott, 2005). The importance of London was also thought to be relevant in the case of Fulham:

"Fulham were targeted by Al-Fayed because it was physically proximal to Harrods in Knightsbridge, and obviously our location by the river is absolutely unique in football" (Respondent D)

This might suggest that non-economic (closeness to the river) and economic factors explained the locational benefits of Fulham. This location provided further benefits:

"If you have an intention of buying a club to realize its property development level or potential then somewhere like Fulham is absolutely ideal. It's debatable whether there's any better clubs to do it" (Respondent D)

In reality, Al-Fayed did not seek to redevelop Craven Cottage for housing purposes or other purposes. Whether or not this was an actual initial motive behind the takeover was not clear. The appeal of London as a location was also reflected by Tony Fernandes as one of the factors influencing his takeover of Queens Park Rangers (Q.P.R) (BBC, 2011). Location might also important for non-London based clubs. But the argument might be more nuanced. The takeover of Blackburn by Venky's can be considered less important in terms of market catchment than a London club. Its appeal was perhaps more due to the large Asian population in the Blackburn area which presented a market for the Venky's to exploit. Therefore, attractiveness of a market is not solely related to the size of the market or the amount of local competition (which in the case of the latter was a considered to have a detrimental effect in their takeovers).

6.5 Promotion of Individuals and Organisations

As England has shown to be an attractive destination for foreign investors, a further factor influencing FDI entering the Premier League might be the desire of some investors to promote *themselves,* a company, or even at country level. This highlights the importance of both internal and external forms of promotion. Both could lead to the creation of indirect profits. In terms of internal promotion, some owners purchased a club for publicity reasons:

"You've got people that are looking for publicity" (Respondent B)

It was not stated whether foreign owners were seeking publicity for themselves or for their company, but through the attractiveness of the Premier League and the television rights contracts, a foreign owner is able to achieve greater publicity. This was developed further:

"Therefore, English football became an attractive prospect because better broadcasting rights meant better transmission of the owner's image" (Respondent D)

While the publicity aspect in one sense can be viewed as non-economic, there was also an economic element.

"Others will see that there is a huge amount of money to be made by either marketing themselves or the company that they represent, or that they own through the football club" (Respondent D)

"It can be a media play. The Premier League goes out to 212 countries, 700 million homes, 2 billion individuals and the media value of that is huge, absolutely huge. There is a case to argue that the best value for money in terms of that is to buy the club. So one or two from where I'm sat anyway look like they've done it for the media play, and the marketing advantage to their company or whatever it is" (Respondent F)

These quotations suggest that publicity was also economic in nature, as foreign investors have used football clubs to generate business for elements of the other organisations which they control, and further enhanced indirect profits. As the Premier League had unique advantages in terms of television coverage and global appeal, the league will provided an ideal platform for this:

"But it goes back to the profile of a UK football club" (Respondent E)

The global popularity of the Premier League has also been used by foreign investors to promote their business further in their own home market:

"So I think there's certainly an element that they're coming in to just increase brand awareness even in their own countries" (Respondent C)

"Blackburn was a classic example; the company that has bought them produce eggs. Now they're not going to be able to sell them all over the world, so that's only going to increase their brand "we own a Premiership club in England" That's for brand awareness in their own country" (Respondent C)

However, there was also a global element to the Venky's takeover. The chairperson of the Venky's Group [Anuradha J Desai] stated that part of the reason behind purchasing Blackburn was to promote Venky's image overseas (Hunter, 2010).
Therefore a difference does exist between these two narratives, but it is evident that the Venky's Group have used Blackburn to promote their company in India through the use of friendly matches and cross-promotions. The importance of global elements was also outlined further

“But a lot of the owners I would say are not really interested in football anyway. So for them it’s probably about the global brand” (Respondent B)

The nature of the global brand can be interpreted in two ways, firstly, the purchase of a Premier League club can be viewed as accessing a global brand, and secondly, foreign investors have sought to build a global brand for themselves or their company through the purchase of a club.

A further element to the promotional aspect is the use of shirt sponsorship to promote a specific company:

“Getting the name on the shirt” (Respondent A)

“Manchester City is promoting themselves on the club shirt” (Respondent D)

This narrative highlights a particular method of promotion, and these comments were made in relation to Manchester City. However, very few foreign owners have sought to use this mechanism to promote companies they control, with the vast majority using shirt sponsorship as a method of generating additional income for the club itself.

The external aspect of promotion refers to the promotion of a country or region through ownership of a Premier League club. Two examples existed in the Premier League context, with the first concerning an attempted takeover of Liverpool by Thaksin Shinawatra in 2004. Shinawatra felt the acquisition of a ‘global’ brand as powerful as Liverpool would represent the ‘crowning glory’ of Thailand’s makeover under his control. Indeed, going further, Shinawatra also argued that other developing nations would seek to build a more wide ranging appeal through the purchase of Western brands. This suggested the importance of ‘brand association’, and also implied Thailand were taking a quicker approach in this aspect compared to other nations (Aglionby, 2004).

This presents a wider economic argument. A Western symbol might have been considered for purchase by the government of an emerging market. This essentially replicates a familiar pattern of emerging market FDI where a desire to seek symbols as a form of credibility and promotion has been noted. It implies that some clubs are more useful due to the strength of their brand image.

The second example of country promotion related to Abu Dhabi. The emirate wanted to place itself as a ‘global sports hub’, and through ownership of a major Premier League football club, such a process could in-effect be ‘fast tracked’ (Montague, 2008).

Again, a familiar emerging market FDI approach was apparent in the case of Manchester City. An individual from an emerging market has purchased a Premier League club in order to promote their home country. The purchase of Manchester City was part of a wider strategy in Abu Dhabi. The extent of the strategy with Manchester City is outlined further:

To those involved in the takeover, one of the influential motives was that the takeover was essentially about telling the world about Abu Dhabi. Ownership of Manchester City, which in 2008 was on the brink of financial crisis, would be about enhancing the image of Abu Dhabi and not damaging it. As a result, this would be similar to other investments conducted by Abu Dhabi (Conn, 2012).

The benefits to Abu Dhabi of the takeover have also been identified elsewhere. The authorities in Abu Dhabi soon realised that Manchester City, which had been a personal investment by Sheikh Mansour, was the most effective way of shaping the image of Abu Dhabi on an international scale. Indeed, the exposure given to individuals involved in the operation of Manchester City was far greater than other more lucrative investments undertaken by the Abu Dhabi ruling elite (Conn, 2012).

Although Manchester City was purchased by a member of the Abu Dhabi ruling elite, the takeover was completed as a personal investment rather than part of a government supported investment. As a personal investment it could be argued the enhancement of image for Abu Dhabi could be less important, but from the above narrative it was apparent the club was being used to promote Abu Dhabi.

6.6 Status

The motivation of FDI in football for promotional reasons, whereby a foreign investor will seek to promote themselves, a company, or a country leads, to a consideration of how FDI could be argued to enhance status in a less economic sense. Here we look at the enhancement of status broken down into gaining profile, kudos, gaining prestige, and purchase of a football as a form of trophy asset. The first to be considered concerned 'profile' and 'kudos':

"There's more for profile and kudos really" [in football] *(Respondent A)*

"Abramovich and Sheikh Mansour are in the latter camp (Profile and Kudos), *neither of them needs the investment to be a success. Abramovich presumably just a huge sports fan, a huge football fan" (Respondent A)*

"Al-Fayed and probably with Abramovich, it's more of getting the profile of themselves established in the UK" (Respondent E)

Because of the wealth of investors such as Sheikh Mansour, Mohamed Al-Fayed, and Roman Abramovich, their investment into football does not need to generate an economic return for them. Hence, they are able to pursue other motives when owning a football club such as profile enhancement. Through club ownership, foreign investors become associated with a particular club and this enhances the awareness of these individuals.

Status also refers to the prestige of club ownership. In the questionnaire, prestige of ownership was outlined as a strong reason behind the investment into the respondent clubs. These answers were supported by those from the domestically owned questionnaire, where both respondents suggested prestige was a strong motivation for foreign investors who become involved in English football. Indeed, the ownership of a football club would then positively benefit their status in business:

"Owning a football club is a statement that you're at a certain level as a businessman" (Dan Jones in Mainwaring, 2010)

From the primary data there was no such reference to status in these terms. However, the rarities of such purchases were noted:

"*Owning a Premier League football club is one of those things that not many people can do" (Respondent F)*

Despite being framed in different terms, this indicates those investors who have control of a Premier League club will also have a strong status as businessmen. This then enables wealth and success to be displayed, which enhances the status of the investor.

Another method of considering prestige of ownership might be to view the football club as a form of trophy asset:

"For want of a better term the trophy asset" (Respondent F)

The use of the word trophy in a sporting context is normally linked to success through the winning of leagues and cup competitions. That the club itself might be viewed as a form of trophy suggests that the acquisition of a football club might have to do with the enhanced the image of an owner:

"Owning a Premier League football club is one of those things that not many people can do. So you can argue that there are one or two people who have done if for trophy reasons" (Respondent F)

This reflects elements of an intuitive understanding of scarcity and status with the limited availability of Premier League clubs and the extent to which the ownership of one of them provided a significant level of prestige to an owner.

Although the clubs were viewed as a form of trophy, differences emerged. For instance greater trophy benefits were present in the purchase of some Premier League clubs than others:

"I think for many of the clubs, it is a trophy club; some people want to say I'm the owner of Manchester United; I'm the owner of Arsenal" (Respondent D)

The clubs with the strongest reputations and performance were more of a trophy than those clubs who do not reach the same performance levels, or have the same level of reputation. There was then a link back to the trophy as a form of success, as those clubs which generated the most success will generate the most prestige for an owner. The notion of a club being a form of status symbol and trophy was taken further, with a notion of some mimetic behaviour:

"I think its trophy buying. It's trophy hunting that's all. And I mean five years ago it was all motor racing and they were trying to buy Formula One teams and stuff like that" (Respondent C)

"I think it's very much trophy buying. It's seen as the new Rolex" (Respondent C)

Through such arguments surrounding status, the purchase of a football club might be viewed as a form of conspicuous consumption.

A further element of status refers to football clubs as a form of 'plaything'

"They were investing in them as playthings, as toys, as something to have as opposed to Ferrari's and luxury yachts" (Respondent D)

The use of the phrases such as 'toy' or 'plaything' suggests that the investment did not have to make a return, and the investments are driven by non-economic motives as a form of trophy and status.

6.7 Political Motives

Promotion and status have been shown to be motives held by some foreign investors who have entered the Premier League. Both of these elements generated additional benefits for a foreign investor in their other business operations. However, political motives might also be present in the acquisition of some football clubs. Purchasing a football club was a method of trying to secure greater political protection:

"*I think there's political reasons why people get involved with football clubs" (Respondent B)*

"I don't doubt there's something there in Fulham" (Respondent B)

"I think with Al-Fayed, I think probably with Abramovich it's more of getting the profile of themselves established in the UK… they're almost classed as UK citizens even if they're not. Without saying too much, that's what they want to do. They want to ring fence themselves" (Respondent E)

To 'ring fence' suggests a protection of assets, but here the idea is phrased with an emphasis on the individual rather than on assets. The discourse surrounding citizenship and the link to Fulham is of particular relevance as Mohamed Al-Fayed had sought to secure British citizenship. Furthermore, ownership of Manchester City was intended to be a vehicle which enabled Thaksin Shinawatra to gain asylum in the United Kingdom. If asylum would have been granted this would have provided additional protection for Shinawatra in the event of extradition claims (Williamson, 2007). In the end, circumstances changed and asylum was not granted.

A second political motive related to the use of a football club to promote political interests in the foreign investor's home market. Just one instance of this has arisen, through Thaksin Shinawatra and his ownership of Manchester City. Manchester City were used by Shinawatra for "political grandstanding" in Thailand. This took advantage of the Premier League's popularity in Thailand where millions of people regularly watch matches from the division. Furthermore, Shinawatra would regularly entertain crowds of Thai politicians and dignitaries at the City of Manchester Stadium (Conn, 2012).

Through the ownership of Manchester City, Shinawatra tried to portray himself as a "wounded hero of democracy" (Marshall, 2007), presenting himself as a democratically elected leader overthrown in a military coup. Due to the significant interest in the Premier League, ownership of a Premier League club was a strategy used to promote this agenda.

A final element behind the political motives of FDI was the competition between Abu Dhabi and Dubai which influenced the takeover of Manchester City. They were competing to be global players, and this created a rivalry between the two emirates. The takeover of Manchester City was partly influenced by the move of DIC [Dubai Investment Capital], which is the investment arm of Dubai's sovereign wealth fund, initially moving (unsuccessfully) to take a Premier League club over first (Montague, 2008).

The desire to promote Abu Dhabi was not to just improve the image of the Emirate, or to enhance tourism, instead there was a desire was to upstage Dubai. What was unclear from this narrative is whether the takeover would have taken place had DIC not elected to try and purchase a Premier League club first. There was also a sense Abu Dhabi would have been left behind if they were not able to purchase a Premier League club. Previously, Dubai had embarked on a number of projects (sport and non-sport related) before Abu Dhabi reacted with projects of its own (Montague, 2008). In a sense, the takeover of Manchester City by Sheikh Mansour reflects the importance of first-mover advantages in this particular instance.

Within the questionnaires, political motives were not openly discussed by foreign investors when purchasing football clubs. Despite this, a wider discourse was present in some elements of the media and with some club insiders. However, foreign investors and some club insiders may not have been willing to discuss any political motives openly. This would generate doubts about the motives and interests held by the foreign investor, and their true intentions behind club ownership.

6.8 Sporting Motives

The motives mentioned so far imply aspects that are mostly outside the field of play, but these motives can be influenced by the level of sporting success gained by a team. For instance, the winning of trophies will benefit a foreign investor's profile, and also helped to generate greater revenues. As a result, the next group of motives to be considered relate to sporting aspects or sporting success. The first factor considered within this group will be those owners who purchased a club in order to pursue success:

"It's the little boy in us" (Steve Morgan, 2012)

Although Steve Morgan is a domestic club owner, his choice of phrase outlines an enthusiasm which motivates an investor to become involved in football, regardless of nationality.
This narrative suggested some investors did not wish to give up on football even though they couldn't play the game at a professional level. Later success in business has enabled them to purchase a football club, which was viewed as the next best choice to playing. Implicit in this statement, is the importance of sporting objectives to these types of owners. The nature of childhood enthusiasm was drawn out in relation to Mohamed Al-Fayed and Fulham. He noted that one of his favourite childhood pastimes was football, and that the played regularly on the beaches of Alexandria in Egypt. Additionally, Al-Fayed was also a follower of English football in particular (Al-Fayed.com, no date).

Again, the attractiveness of English football was brought out in this narrative, but the suggestion of purchasing a club being the next best choice to playing was evident. A similar theme was present with Sheikh Mansour, although he had previous experience of being involved with professional football clubs.

Sheikh Mansour has argued that he had a "lifelong passion" for football, and that he had played football in the past. He also stated that he had become more involved with the running of the Al Jazeera football club which is based in Abu Dhabi (mcfc.co.uk, 2009).

When considering the responses to the questionnaire, interest in football was considered as a very strong motivation in the purchase of both foreign owned clubs. In support of this, one of the domestically owned respondents also noted the importance of a passion for football in influencing the takeover of the club. This view was not unanimous, as another respondent from a domestically owned club did not consider a passion for football as influential in influencing football FDI.

Further support for interest in football as a motive, was claimed in the case of Roman Abramovich and Chelsea:

> *"Abramovich does genuinely like football, and I genuinely think he wants to win things" (Respondent E)*

> *"Abramovich is presumably just a huge sports fan, a huge football fan" (Respondent A)*

This reflected an earlier argument made by Abramovich himself, which included a complete rejection of any profit motives: Abramovich stated his takeover of Chelsea was not about making money. Indeed, he also reflected that there are "less risky" ways of generating a return than a football investment. Of more importance was winning trophies, and having "fun" (Randall, 2003).

So it was not only the interest in football, but the purchase of a football club was motivated by a desire to secure on-field success. The pursuit of success was noted in both of the domestically owned questionnaires as an influential motive behind football FDI. Further support for this narrative was outlined in the case of Sheikh Mansour at Manchester City. Sheikh Mansour argued that one of the reasons behind his love of football was "the feeling that success can bring" (mcfc.co.uk, 2009).

This description highlights the different dimension behind FDI in the explanation when compared to the arguments surrounding 'winning things'. However, success was not defined in the above statement, so it is not clear as to what is considered as "success". Ultimately though what is termed as success will be dependent upon the size of club, availability of resources, and playing talent.

Both of the responses from the foreign owned clubs indicated that the challenge of owning a club was highly important in influencing football FDI. In contrast, the responses from the domestically owned clubs ranked this aspect as being less important. In support of the responses from the foreign owned questionnaire, Sheikh Mansour stated the desire to improve Manchester City's performance was a motive behind his takeover of the club. Stating Manchester City to be a "sleeping giant", Sheikh Mansour suggested that waking the "giant" would generate a range of different rewards (mcfc.co.uk, 2009).

The use of the term "sleeping giant" reflected a phrase that has been commonly used in English football. This describes "large" clubs who have failed to achieve playing success, or have not achieved the same level of success as in the past. As a result, those in football talk of "awakening" the sleeping giant and achieving success. To some this is a challenge, and if successful it represents a significant benefit to their image and status both within and outside of football. However, “sleeping giants” also offer an economic motive, as the size of the club gives an owner the chance to generate economic benefits. Indeed, the growth potential, often associated with sleeping giants represented a motivation from some foreign investors, but the respondents to both the questionnaires did not have a unanimous view. Hence, other investors have sought to purchase an already successful “giant” like Manchester United.

But was the industry of football really important? One of the responses from the domestically owned questionnaire implied an interest or passion for football was of less importance than other factors. A similar narrative was also present in the interviews:

“But a lot of the owners I would say are not really interested in football anyway” (Respondent B)

In contrast to other comments, this narrative implies other non-sport issues are more important to the foreign investor. This narrative was extended to include Manchester United:

“I don’t think the Glazers are doing it for any altruistic supporter (Reasons)… *they weren’t Manchester United fans since they were knee-high in Denver” (Respondent A)*

Whilst this did not completely reject the football/sporting motives, this statement suggested a greater importance was placed on economic objectives. To further highlight perspectives surrounding a lack of interest in football, Mohamed Al-Fayed was said to have shown no interest in Fulham prior to 1997:

“*Al-Fayed had no interest in the history of Fulham, and prior to the takeover had shown no interest in the club” (Respondent D)*

“Some of Al-Fayed’s comments about the Manchester United of the South were just indicative of the fact that he was rather fanciful and didn’t know anything about football (Respondent D)

This contradicts the comments on Al-Fayed’s official website. This states that to Al-Fayed, football is a passion, and after living in the Fulham area for a number of years, the gravitational pull of Fulham was too much to resist. As a result, Al-Fayed purchased the football club and the freehold of the clubs stadium, Craven Cottage (Fulham fc.com, no date).

The implication from this statement is Al-Fayed held an interest in Fulham, hence the use of the term “gravitational pull”. However, the narrative concerning a lack of knowledge was not addressed by these comments. Interest in football does not equate to a vast understanding of the game and how to operate a club. As a result, there is some confusion surrounding sporting motives in this case.

Therefore, two broad elements could exist. Firstly, there are those owners (such as Roman Abramovich or Sheikh Mansour) who treated their investment as a mostly non-economic entity, with interest in football an important motive which influenced the FDI decision. In contrast, the second element contains owners such as the Glazer family, where the pursuit of economic objectives was a critical factor in influencing the takeover.

6.9 Regulatory Factors

With business acumen, financial motives, club availability, attractiveness of English football, promotion, status, political motives, and sporting motives having been considered as potential motives, the final group of potential motives behind FDI entering the Premier League to be discussed concerned regulation.

Regulation could be divided in two broad areas. Firstly, there was the general regulatory framework and secondly there has been the influence of football specific regulation. Considering, the general regulation first:

"The other of course, at least in our opinion is the hopeless lack of financial regulation, and the ease with which England is used, as money can be siphoned out of England through straight forward tax evasion or tax avoidance" (Respondent D)

Weaknesses in the regulatory framework of the UK as a whole have presented an opportunity for foreign investors to enter English football. The UK is open to FDI across a variety of sectors, and football is seemingly no different.

Nonetheless, there has then been the influence of football specific regulations. This was noted in one of the responses from the domestically owned questionnaire to be a significant incentive in influencing the football FDI decisions. This explanation was taken further:

"Well there's no regulatory aspect that's the whole problem" (Respondent C)

The implication was weak (football) regulation encouraged FDI to enter the Premier League. Using an analogy of the Metropolitan Police this was taken further:

"*You know it's exactly the same as the Met (Metropolitan Police). We make the rules so if we decide who doesn't want to abide by them; we've made the rules so it doesn't matter" (Respondent C)*

"At the moment you've got the kids running the sweetshop is the classic analogy of it. And they [Premier League clubs] *also have four places on the FA (Football Association) board, so hang on a minute the people who are policing the policing of the police are actually the police" (Respondent C)*

To some degree this also highlighted how regulatory bodies have been captured by Premier League clubs, and by association the league itself. Thus, power held by the FA in relation to the ownership of football clubs is diluted by the presence of club directors who had an involvement in the Premier League. This places the balance of power with the Premier League clubs rather than the FA, and as a result, any decisions on ownership regulation will be biased towards the desires of the clubs themselves.

A suggestion that regulation was weaker in England compared to other European nations was also drawn out:

"[The regulation is] *still a long way behind some of the other leagues" (Respondent B)*

"There are no caps on what money you can take out of football clubs in this country, which exist elsewhere" (Respondent D)

Those foreign investors who have sought to generate returns have been able to do so in some cases by taking money directly out of their club (i.e. the use of consultancy fees at Manchester United). FDI is less attractive in those countries where stronger regulations exist in this aspect. So strong regulation in other nations has helped to direct the flow of FDI:

"Well Bundesliga wouldn't give them control and influence that they want, so that's out for a lot of them" (Respondent B)

The vast majority of Bundesliga clubs (aside from the former 'works' teams), must allow supporters to hold a controlling share in the club. A foreign investor is not able to take a majority shareholding in a Bundesliga club, hence this option would not allow them to internalise all economic or non-economic benefits of club ownership. Other restraints to foreign investment existed in parts of Spanish football (Ascari & Gagnepain, 2006).

When specifically looking at the fit and proper persons test, a variety of respondents (whether club insiders or supporters) identified further weaknesses in this regulation. There have been only limited examples of individuals failing the test in the Premier League and Football League. There are some cases where investors passed the test despite concerns surrounding their motives:

" There have been far worse subsequently, Shinawatra being the main one, and the owners, mythical owners [Ali Al-Faraj] *of Portsmouth being another, Syed at Blackburn even though he never got to take over the club, clearly he was a very dubious individual…the fit and proper person's test does not work and again is there the will power within the FA to enforce this, and if need be to go court and do it, and I don't think there is"(Respondent D)*

"People argue that the fit and proper persons test doesn't have the teeth it should have and there's perhaps an argument there" (Respondent F)

"Well from the wings you would have to say it could be improved wouldn't you; it didn't do a great job at Portsmouth…" (Respondent A)

In two of the three arguments surrounding the weaknesses of the fit and proper persons test, specific examples of foreign investors purchasing a Premier League club (or attempting to) were drawn out. Although there was a clear narrative about the test not being of the required rigour, there is no suggestion made as to how the test could be improved. The non-insiders also strongly implied that the FA was a weak regulatory body.

However, not all of the respondents in the questionnaire reflected regulation surrounding club ownership to be weak, or an incentive, as there was an argument which suggested the regulation to be stronger than in some other industries.

"Well easy is a relative term isn't it. I mean it's harder to buy a football club than it is to buy any other UK company, limited or PLC. Because UK football clubs are not only subject to company law, but there's also football regs involved as well" (Respondent F)

"*But there is a fit and proper persons test in football, and there isn't in the vast majority of industries" (Respondent F)*

This further draws out the multi-layered nature of regulation involved in football, and the difference between football and other industries in the nature of regulation. A further explanation was provided about the difficulty of purchasing a club:

"It's very, very difficult. I saw the chairman of the Football League [Greg Clarke] *on that very programme* [Dispatches], *and you saw what his comments were. So it's not easy. It's not easy, who owns Marks and Spencer's, who owns various companies, it's very difficult to say. We live in a free market" (Respondent E)*

While the previous argument suggested a difference between football and other industry sectors, these comments suggested a similarity between football and other industries. The implication that "we live in a free market" further enhances the notion of football being similar to other industries. In these other industries the disclosure of shareholder identities has been more limited than in professional football.

There was also a reticence by some club insiders to discuss regulation of Premier League clubs and how it affected the flow of FDI:

"I don't know and probably wouldn't want to comment on that. We run our club sensibly and that's just the way it is. There's been many, many TV documentaries on this, and there's many ways to skin a cat, and many ways to obtain ownership of a football club" (Respondent E)

This approach was also followed by some of the other questionnaire respondents, who elected to use the unsure response when completing the questionnaire. This does raise a further question around why these respondents have been unwilling to directly address the issue of regulation. But for the foreign owned clubs, it might be due to the key decision maker not being able to respond to the questionnaire.

Other comments suggested that regulation had become stronger due to failures identified in club ownership:

“In terms of regulation well it’s catching up I think is one way to say it” (Respondent B)

“I don’t doubt and I know from what I hear that the Premier League is more stringent when people approach them to takeover clubs because of the whole Portsmouth incident. (Respondent B)

There is not complete agreement on this issue however:

“I’ve not seen anything in writing to say they’ve changed the rules” (Respondent C)

The difference in opinion held by these respondents is potentially driven by their different positions. Respondent B was a senior member of staff at Supporters Direct, he is more likely to be aware of changes to regulation than Respondent C who did not have access to the same channels of information.

The insiders also suggested regulation in England was stronger than some other European nations.

“It is easier than buying a football club in other European countries though that’s for sure. Not all of them but some of them” (Respondent F)

Those countries where it is easier to purchase a club were not identified in this comment. Moreover, it was not clear as to whether stronger regulation would make football clubs more difficult to purchase despite the obvious implication. Spain was suggested as being an example of where purchasing a club was easier:

"Well I am not sure how much easier it is, because there is a bit of a whohar in Spain at the moment, in terms of, one of the people that was looking to buy Blackburn…" (Respondent A)

"It's not been that difficult for him, seemingly without any credible funds to buy into Spain. I'm not sure whether it easier or whether it just that much more appealing" (Respondent A)

6.10 Summary

This chapter has used the qualitative data generated in the research to identify and develop a range of potential motives which could have influenced the takeover of English Premier League clubs by foreign investors. These motives included economic factors such as the ability to apply business acumen, revenues, profits, and club availability. Alongside these non-economic factors such as profile, status, political, and promotional reasons were also of importance. Additionally, the institutional and regulatory frameworks of European football nations were shown to have some influence in directing the flow of FDI. Those countries with fewer restrictions on club ownership (like England) were shown to have benefitted from a greater inflow of FDI, when compared to those countries with more restrictive ownership regimes (like Germany). It has indicated that there is a strong sense among insiders that at least a range of non-economic and economic motives are involved but that is also difficult to separate these out neatly or weight them when considering FDI motivation.

The following chapter will address what the consequences on both the clubs and the Premier League have been from FDI entering the division.

Chapter 7: The Consequences of Football FDI

The previous chapter analysed the motives behind inbound FDI in the Premier League. This chapter considers the effects of FDI entering the Premier League. The nature of these effects will be considered in three broad groups. The first relates to the sporting consequences of FDI for football clubs including the effect on the competitiveness, stature, league standard, and on-field productivity. The second group considers football as a business in terms of revenue, transfer costs, wage costs, profits, and debt and non-financial aspects related to club management (elements of both on and off-field), as well as infrastructure (i.e. stadia and training ground development). The third group investigates the wider consequences of the investment for local regions and supporters. The consequences within these groups will be considered as direct effects (on the acquired club), or wider spillover effects (on non-acquired clubs, the league, or the local region). These effects can also be expressed as a league effect (e.g. on competitiveness or stature).

In order to explore the effects, three case study clubs (Fulham, Manchester City, and Manchester United) will be utilised. Alongside the case studies, the primary data will also be used to address the effects of FDI. Furthermore, secondary data has also been collected from across the Premier League. This data focuses on the period of 2001/2002 to 2010/2011. In this period, the vast majority of FDI inflows took place, and as a result, the Premier League was transformed from a league where the majority of clubs were domestically owned to where around half were controlled by foreign investors.

7.1 Sporting Consequences of FDI

What are the consequences which have arisen from FDI in relation to the sporting aspect of a football club?

7.1.1 Competitiveness of the Premier League

In chapter's four and five, we saw that sporting competitiveness can be more easily measured than many other sporting related economic indicators.

FDI has been claimed to have a positive impact on the competitiveness of the Premier League. In contrast to the expected outcome, some have argued that foreign ownership has created a more competitive Premier League. However, such changes did not immediately occur (Dimond, 2009).

Clubs under foreign control, who were classed as "mid table" Premier League clubs were able to vastly increase spending on wages and transfers as a result of foreign ownership. However, Dimond (2009) also suggested that problems encountered by the big four clubs (Manchester United, Chelsea, Liverpool, and Arsenal) helped to increase the level of competition at the top of the Premier League. Whilst these clubs were not performing as expected under foreign ownership, ironically, Dimond (2009) also stated that it was other clubs under foreign ownership who were flourishing.

In the qualitative evidence some also suggested FDI has benefitted sporting competitiveness:

"In terms of the competitiveness of the league that is one of its strengths….we used to talk about the big four but you'd argue four has perhaps become six now" (Respondent F)

"I think to have more competition in the Premier League is good. It's [FDI] that has *shaken up the Manchester United Arsenal domination* [Chelsea]. *Then it's shaken up the Manchester United Chelsea domination"* [Man City] *(Respondent E)*

However, the creation of new duopolies through the entrance of FDI has not necessarily lead to greater competition. Instead, one duopoly has been simply replaced by another club. But for insiders, even when dominance was recognised, it tended to be treated in a more positive light:

"I Know it's a negative…. fourteen clubs avoiding something [relegation] but it still *heightens tensions, makes it exiting, makes it a dynamic league" (Respondent F)*

This suggests the existence of sub groups within the Premier League, with fourteen of the twenty clubs evenly matched. To some degree this is what occurred in the 2010/2011 season, where Fulham in eighth place recorded ten more points than Birmingham who were relegated in eighteenth. However, in 2009/2010, the eighth placed club (Everton) scored thirty-one more points than the eighteenth placed club (Burnley). For some at least, the Premier League is considered as the most competitive in Europe:

"Because it's [Premier League] *the most competitive league" (Respondent F)*

Responses from the questionnaire compiled by domestically owned clubs revealed more mixed feelings as to whether FDI had affected competitiveness with the Premier League. One respondent indicated FDI to have had some effect, but the other considered FDI to have had little effect. Nor was it clear whether effects had been positive or negative. Some outsiders offered a more critical view of FDI's effect:

"Somebody will say is there going to be anyone that is going to break into that top six and they will just chuck a few names up in the air, knowing full well that it's not going to happen" (Respondent D)

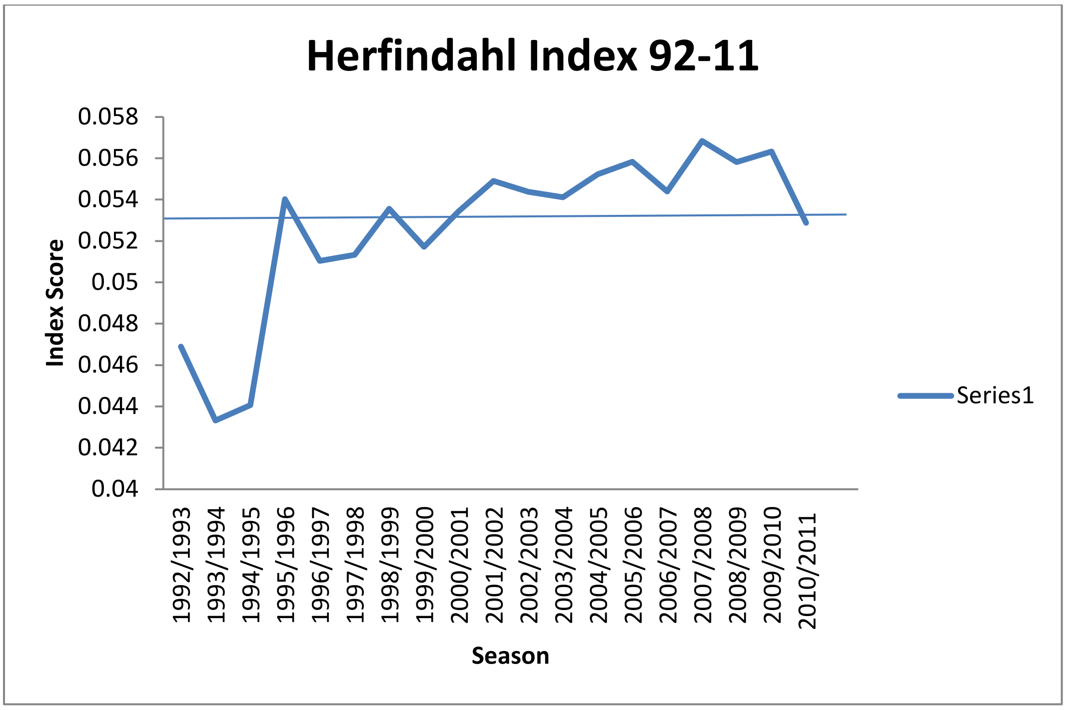
"foreign investment in the Premier League, has financially doped it to the extent that it will be the same clubs time and again" (Respondent D)

The implication of this narrative is that it becomes more difficult for clubs outside of the elite to compete for top positions in the Premier League. As a result, it is unlikely that clubs from outside this group will achieve any sustained long-term success unless they are acquired by a foreign investor.

Having established this mostly positive view of the relationship between competitive balance and FDI, the next phase of the chapter is to investigate some of the actual measures of sporting competitiveness (the Herfindahl Index, C5 Ratio, plus the Lorenz Curve identified in 5.9):

The Herfindahl Index scores from the 1992/1993 to the 2010/2011 season are shown in Figure 7.1, together with the average Herfindahl Index score over the nineteen seasons (indicated by the blue trend line).

Figure 7.1: Herfindahl Index 1992-2011



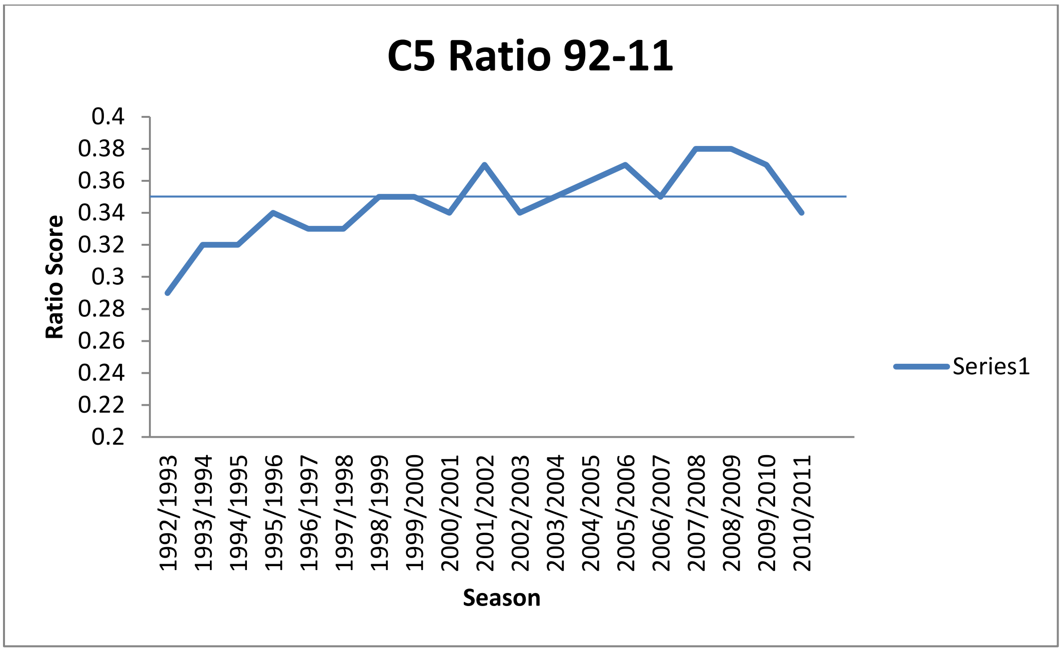
(Source Author Calculations)

The larger figures for the index indicate a decline in competitive balance. According to Michie & Oughton (2004) a perfectly balanced, twenty team league should generate a score of 0.05, whilst a perfectly unbalanced twenty team league would show a score of 0.07. In relation to the results in Figure 7.1, the first three seasons (1992/1993 to 1995/1996), show much lower results but this is a twenty-two team Premier League, which reduces the Herfindahl Index (Michie & Oughton, 2004).

The period of interest for this study is from 2001/2002 to 2010/2011, when foreign ownership became more prominent. In this period, the competitive balance score has risen above from the 0.05 perfectly balanced score. The scale of the decline between 2001/2002 and 2007/2008 was 3.6%, a level which Michie & Oughton (2004) consider to be significant. In contrast, the 2010/2011 season recorded a significant improvement in competitive balance, with the index dropping below the average. Indeed, this was a highly significant 8.8% improvement in competitive balance on the 2007/2008 season. This result does not fit within the pattern of the other seasons, and is more likely to be an outlier, rather than an indication of a long-term trend of improved competitive balance.

A further way we saw that competitive balance can be analysed is through the C5 Ratio. The C5 Ratio compares total points gained by the top five clubs relative to points gained by the rest of the Premier League. This is shown in Figure 7.2 for each season from 1992/1993 to 2010/2011:

Figure 7.2 C5 Ratio from 1992 to 2011

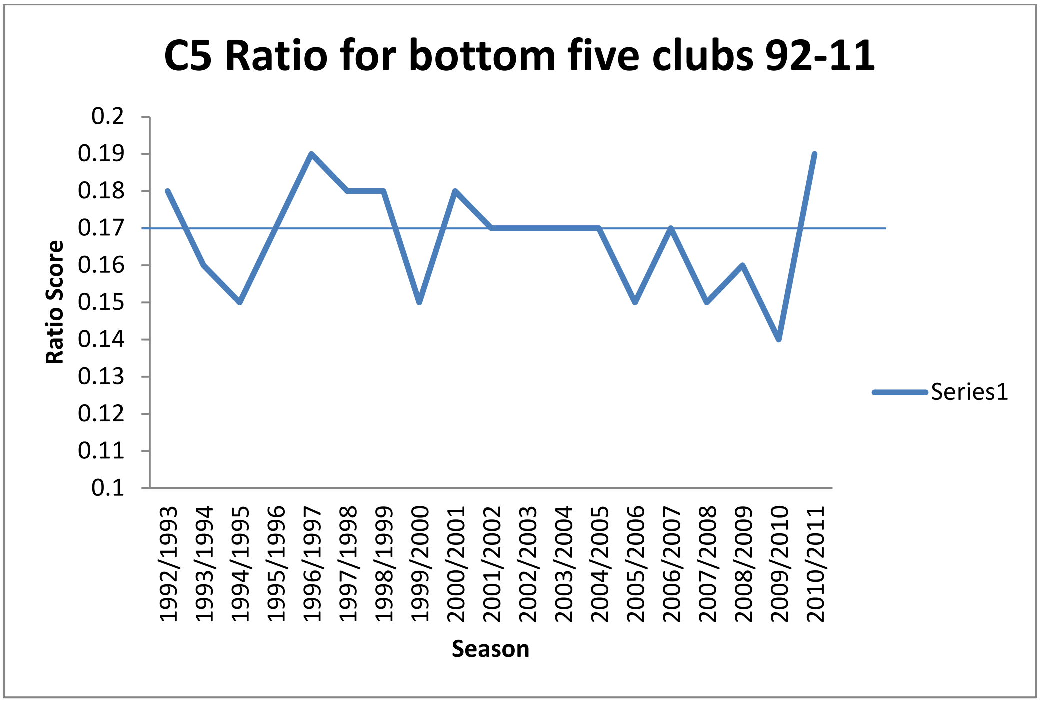


(Source: Author Calculations)

Over the nineteen season period of the Premier League, the average C5 Ratio score was 0.35 (highlighted by the blue trend line), but again, the key seasons under investigation are from 2001/2002 onwards. In this period, the ratio has generally increased. As the volume of FDI increased during the mid-2000's, this pushed the C5 Ratio to 0.37 (37%) in 2005/2006 and 2009/2010, and 0.38 (38%) in both 2007/2008 and 2008/2009. Thus, 38% of the total points scored in this season were received by the top five clubs who at this stage were mostly foreign owned. As with the Herfindahl Index, the C5 Ratio also declined in 2010/2011, and recorded a score of 0.34 (34%). This 4% decline from the peak seasons indicates that the top five clubs were receiving fewer points despite four of the five clubs being foreign owned. FDI, therefore, has impacted upon the total points gained by the top five clubs, but as FDI continued to flow to clubs outside of the top-five this did not radically improve the points distribution until 2010/2011 (as shown with the decline in the C5 Ratio).

A further way to use the C5 Ratio is to calculate the number of points gained by the bottom five clubs.

Figure 7.3: C5 Ratio for Bottom Five Clubs 1992-2011

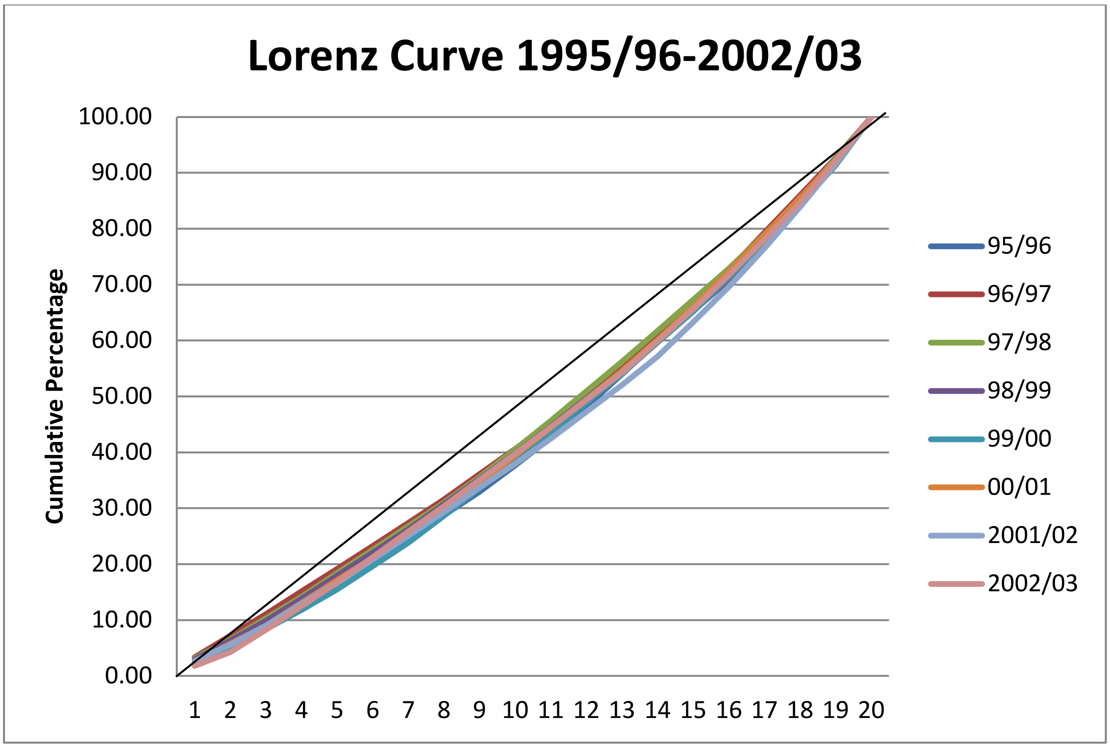


(Source: Author Calculations)

The bottom five clubs have generally achieved a lower proportion of points over time. Many of these clubs have not been recipients of FDI, and were forced to operate in an environment which affected their ability to compete with foreign owned clubs. The average over the nineteen seasons of the Premier League was 0.17 (17%). From 2005/2006 onwards there was only a single season (2010/2011), which recorded a result in excess of this figure.

The C5 Ratio does not consider the spread of points across the division. The spread of points can be investigated by using the Lorenz Curve, and the analysis of this in response to the Premier League is split into two sections. The first relates to the period between 1995/1996 and 2002/2003, prior to the arrival of Roman Abramovich and when only two clubs (Fulham and Wimbledon) were foreign owned (this was also the period was when twenty teams per season were competing in the Premier League).

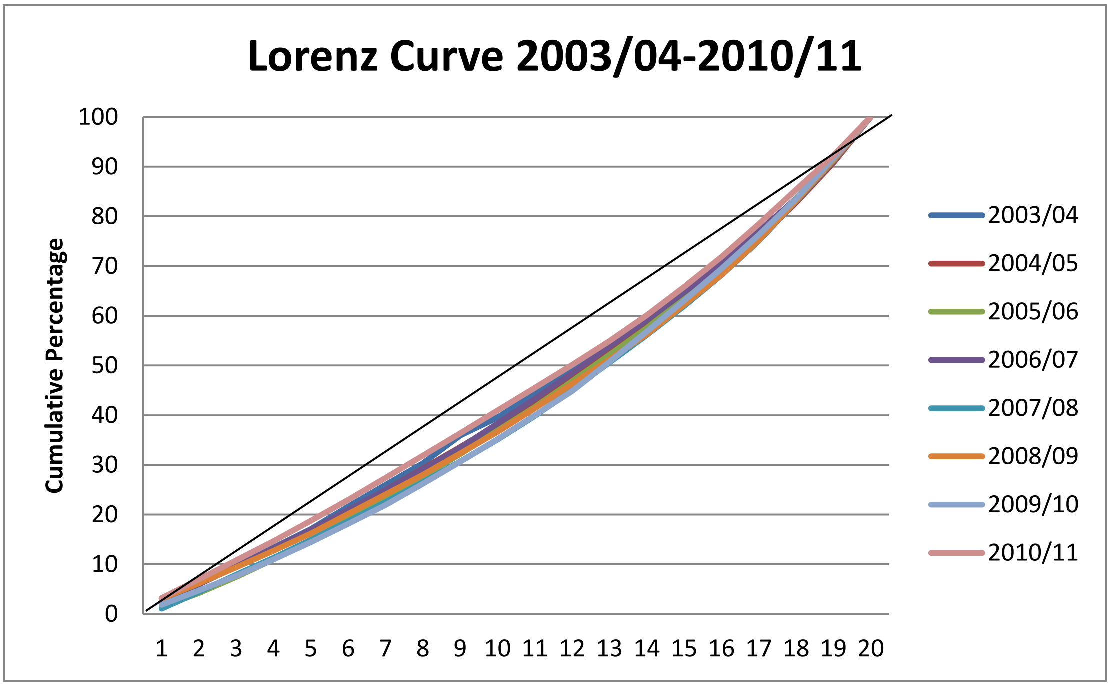
Figure 7.4: Lorenz Curve 1995/1996 to 2002/2003



The black trend line indicates the optimal level of points which should be gained by teams within a twenty team league. Those seasonal lines which are further away from this trend line have a weaker competitive balance. For example, 2001/2002 has a weaker competitive balance than 1997/1998 on this measure.

Figure 7.5 shows the Lorenz Curve results from 2003/2004 to 2010/2011 when FDI became more prominent in the Premier League, and 2003/2004 marked the entrance of Roman Abramovich as the owner of Chelsea:

Figure 7.5: Lorenz Curve 2003/2004 to 2010/2011



Compared to Figure 7.4, the majority of the seasonal lines are further away from the black optimal point's distribution line. Moreover, in Figure 7.4, the seasonal lines have a steeper shape than those in Figure 7.5 indicating a mostly better competitive balance than in Figure 7.5.

From these three measures of competitive balance (Herfindahl Index, C5 Ratio, and Lorenz Curve) we see that contrary to the insider views, competitive balance is shown to have declined in the Premier League following the arrival of FDI. FDI has helped to create more of a 'closed shop' at the top of the Premier League. The resource advantages held by these clubs meant that it was extremely unlikely that a club without such advantages would be able to mount a challenge for the top positions.

7.1.2 League Sporting Stature

The impact that FDI inflows have had on this factor is much more subjective, and is more difficult to measure than competitiveness. Respondents from foreign owned clubs suggested a positive relationship between FDI and league stature. Conversely, the respondents from the domestically owned questionnaire suggested that FDI had a limited effect.

"I don't think you could say that foreign investment particularly has helped, but [increased] *investment has helped" (Respondent A)*

"*That's sort of a virtuous circle….where the money is allowing the foreign stars to come-in, to keep the product as good as it is to keep the money coming in" (Respondent A)*

"If you want to see the best players [come to the Premier League] *(Respondent B)*

"Obviously a chance for some of the fans to see some of the better players in the world perform in their league rather than ending up in Spain or Italy, which has been the traditional thing. I think it's created a greater demand for the game" (Respondent D)

The stature of the Premier League was also thought to be enhanced globally as a result of FDI:

"..you want a football league and clubs that are known worldwide, then undoubtedly it's [FDI] *been a success" (Respondent B)*

"There has been an increasing globalisation of the league in the last half a dozen years. It started prior to that. It's a fair question to say has that been aided by foreign ownership? (Respondent F)

"It is as we call it the global league" (Respondent F)

"It's [Premier League] *purely the biggest league" (Respondent D)*

The increase in stature created a demand for what was termed 'tourist football' by one respondent:

"Fulham has been able to increase its fanbase more I believe by word of mouth…I would say tourist football" (Respondent D)

Although this latter comment dealt with a club-specific issue, the greater status of the Premier League has had a different impact across different clubs in the Premier League. Therefore, an increase in league driven by FDI will benefit different types of clubs in the division, although in the case of Fulham, the clubs London location would also have been a factor influencing football tourism.

7.1.3 League Standard of Play

Another consequence of FDI might be its impact upon league standard. This again is hard to measure objectively. The responses from both the foreign and domestically owned questionnaires suggested that FDI had positively affected the standard of Premier League matches

"On the whole yes….you go through the twenty teams, the standard of the squad of players on the whole is generally better than it was say ten years ago" (Respondent E)

"[An improvement in standard] *at the top end probably, more than the bottom end, but a general improvement throughout" (Respondent E)*

A contrasting argument, suggesting that FDI had not benefitted the standard of play also existed:

"*I actually ask people to look at the standard of the Premier League, and say look at how many games we won last season to win the league compared with how many we had to win three years previously. That to me says the standard has gone down" (Respondent C)*

"*I don't think that it is the low ones getting better. I think it's the top four, top five getting worse" (Respondent C)*

Such comments are not consistent with the evidence that competitive balance had weakened. However, other outsiders stated that FDI (and the associated increase in spending) had attracted better quality foreign players.

"If you want to see the best players [come to the Premier League] *(Respondent B)*

"Obviously a chance for some of the fans to see some of the better players in the world perform in their league rather than ending up in Spain or Italy" (Respondent D)

Such an impact has negative effects for domestic players. In some cases, "weaker" players from England will be forced out of the division, and whilst this is positive for the standard of the Premier League it lowers the number of English qualified players in the division. This is indicated by the number of English players in the top flight declining from 35.43% in 2007/2008 to 32.26% in 2013 (BBC, 2013). Moreover, at the formation of the Premier League in 1992, 76% of players were English qualified. This figure steadily declined, reaching 47% in 2006/2007, prior to dropping below 40% in 2007/2008 (Slater, 2007). However, this process began before the arrival of FDI into the Premier League. With the increasing wealth of the Premier League in the 1990's, players such as Dennis Bergkamp, Gianfranco Zola, David Ginola, and Patrick Vieira were recruited by Premier League clubs. Indeed, in 1997/1998, Arsenal secured the Premier League title with around half of its regular first eleven being foreign players. FDI simply accelerated this process (due to the greater availability of resources), and domestically owned clubs have then sought to copy foreign owned clubs by signing more foreign players themselves.

Additionally, younger players from youth academies have found their own path to a Premier League first-team blocked by the arrival of more foreign players. This raises longer-term concerns for the development of the English national team. With the lower percentage of English qualified players now playing in the Premier League, it may prove difficult in the future for the English national team to be competitive. Whilst the performance of the England team has been modest, it is not likely to improve due to the shortage of available players.

A further consequence is on other football leagues. Spillover effects are wider than just the English system. As the quality of the Premier League increases, the quality of other leagues will decline due to the movement of players into the Premier League. Whilst this seems a negative consequence, this does allow clubs in other leagues to generate more income. This is particularly beneficial for those leagues outside of Europe, or those in smaller European nations which have access to substantially lower income streams. It also provides an opportunity for clubs in these leagues to introduce younger players into their first-team squad which can then eventually benefit the national team. Also during the early period of FDI entering the Premier League, the performance of English clubs in the Champions League improved. This reached a peak during the 2004/2005-2008/2009 period, where at least one English club reached the final in each season.

As a result of this 'dominance' major clubs in Europe reacted through improving their squads. The result of this investment, plus additional foreign investment in some other clubs (like Paris-Saint Germain (PSG)), has changed the balance in the Champions League. So from being in a position of strength, the performance of English clubs has declined since 2009 (aside from Chelsea in 2012). Without FDI entering the Premier League and improving the standard of the top four teams, it is entirely possible that the elite foreign teams may have been slightly more restrained in some of their spending undertaken. Additionally, the arrival of FDI at PSG has also been replicated by foreign ownership of AS Monaco in the French First Division. So, rather than looking at the Premier League, foreign investors have begun (slowly) to purchase clubs in other European nations.

7.1.4 'Football Productivity'

With FDI shown to have mostly positive effects on the status and standard of play in the Premier League, a further league wide consequence of FDI relates to productivity. In chapter five, productivity in football was defined as point per cost which relates to the economic definition surrounding output per person. In sport, output is defined as the number of points gained in a season, but the number of points available is a fixed amount constrained by the number of matches.

The data for 2002/2003 (last season prior to Abramovich investment) is shown in Table 7.1

Table 7.1: Points Per Cost in the Premier League 2002/2003

Position	Clubs	Points	Wages (£m)	Point Per Cost	Point Per Cost Rank
1	Manchester United	83	79.5	1.04	18
2	Arsenal	78	60.6	1.29	14
3	Newcastle United	69	45.2	1.53	9
4	Chelsea	67	54.6	1.23	16
5	Liverpool	64	54.4	1.18	17
6	Blackburn Rovers	60	35.5	1.92	6
7	Everton	59	29.7	1.99	4
8	Southampton	52	26.7	1.95	5
9	Manchester City	51	35.4	1.44	10
10	Tottenham	50	38	1.32	=12
11	Middlesbrough	49	29.4	1.67	8
12	Charlton Athletic	49	23.6	2.08	3
13	Birmingham City	48	20	2.40	1
14	Fulham*	48	36.4	1.32	=12
15	Leeds United	47	56.6	0.83	19
16	Aston Villa	45	32.3	1.39	11
17	Bolton Wanderers	44	24.4	1.80	7
18	West Ham United	42	33.3	1.26	15
19	West Bromwich Albion	26	11.5	2.26	2
20	Sunderland	19	34	0.56	20

(Source: Deloitte, Annual of Football Finance, 2007 and author calculations)

(* denotes foreign owned club)

In 2002/2003, Fulham were the only club owned by a foreign investor. In comparison to other clubs who finished above them in the table, Fulham had a much lower point per cost than clubs such as Birmingham, Charlton, Middlesbrough, and Everton. Fulham have advantages over these clubs through greater access to finance to spend on player wages. This showed Fulham to have underperformed relative to the teams around them. However, Sunderland and Leeds (both domestically owned) also had low point per cost scores, and had weak on-field productivity.

Table 7.2 displays the point per cost from the 2006/2007 season where seven clubs were under foreign ownership.

Table 7.2: Points Per Cost in Premier League 2006/2007

League Position	Clubs	Points	Wages in 2003 prices (£m)	Point Per Cost	Point Per Cost Rank
1	Manchester United*	89	81	1.10	15
2	Chelsea*	83	116.5	0.71	20
3	Liverpool*	68	68.1	1	17
4	Arsenal	68	78.7	0.86	18=
5	Tottenham	60	38.4	1.56	9
6	Everton	58	33.7	1.72	5
7	Bolton Wanderers	56	26.9	2.08	2
8	Reading	55	26.2	2.10	1
9	Portsmouth*	54	32.4	1.67	6
10	Blackburn Rovers	52	32.2	1.61	7
11	Aston Villa*	50	37.9	1.32	11=
12	Middlesbrough	46	33.6	1.36	10
13	Newcastle United	43	49.8	0.86	18=
14	Manchester City	42	31.9	1.32	11=
15	West Ham United*	41	38.8	1.06	16
16	Fulham*	39	30.9	1.26	13
17	Wigan Athletic	38	24.1	1.58	8
18	Sheffield United	38	19.7	1.93	3
19	Charlton Athletic	34	30.1	1.13	14
20	Watford	28	15.4	1.82	4

(Source: Deloitte, Annual of Football Finance, 2010 and author calculations)

(* denotes foreign owned club)

In comparison to Table 7.2, the point per cost scores are lower due to the above inflation increases in the level of wage spending in this season compared to 2002/2003. However, some notable changes in productivity occurred. When considering the domestically owned clubs, it is evident from Table 7.2 that the measure of productivity for some clubs declined. One such example was Charlton, a club which had become renowned for performing above expectations (Haas, 2003). Despite increasing wage spending year-on-year, in 2006/2007, Charlton recorded a much lower point per cost score compared to 2002/2003. Whilst, some of this change can be put down to the increased wage spend, the fall in the point per cost table indicated a decline in on-field productivity. Moreover, Charlton were also relegated from the Premier League during 2006/2007, and this highlights an example of a team being relegated from the Premier League since the arrival of foreign investment at rival clubs (like West Ham and Fulham) requiring them to spend ever increasing amounts on wages.

Likewise, a significant decline was also present at Newcastle and Manchester City when compared to the 2002/2003 season. But what of the foreign owned clubs? The top three league finishers in 2006/2007 were owned by foreign investors, but of these three clubs, Chelsea recorded a lower point per cost than both Liverpool and Manchester United. This implied Chelsea had inferior productivity to the two other finishers in the top three. Also, using point per cost the most productive teams were domestically controlled (Reading, Bolton, Sheffield United, Watford, and Everton). Three of the clubs recorded top half finishes despite having resources much smaller than rival clubs who finished above and below them in the league table. However, Sheffield United and Watford were both relegated, but as newly promoted clubs such an event is highly possible due to the imbalance in resources and spending. In the case of Sheffield United, they were only five points behind Newcastle United, despite having a real terms wage spend which was £30m lower. Although the relegation does not equate to strong on-field performance, Sheffield United were able to get more out of their limited resources than Newcastle.

To further explore these issues a third season of data was investigated. This data was taken from the 2009/2010 season, where eleven clubs had some form of foreign ownership. These results are shown in Table 7.3

Table 7.3: Points Per Cost in Premier League 2009/2010

League Position	Clubs	Points	Wages in 2003 prices (£m)	Point Per Cost	Point Per Cost Rank
1	Chelsea*	86	141.1	0.61	19
2	Manchester United*	85	106.8	0.80	=15
3	Arsenal	75	89.8	0.84	14
4	Tottenham	70	54.5	1.28	7
5	Manchester City*	67	108.1	0.62	18
6	Aston Villa*	64	64.9	0.99	12
7	Liverpool*	63	98.2	0.64	17
8	Everton	61	44	1.39	4
9	Birmingham City*	50	29.8	1.68	1
10	Blackburn Rovers	50	38.4	1.30	5
11	Stoke City	47	36.3	1.29	6
12	Fulham*	46	40	1.15	8
13	Sunderland*	44	43.5	1.01	11
14	Bolton Wanderers	39	37.6	1.04	10
15	Wolverhampton Wanderers	38	24.1	1.58	3
16	Wigan Athletic	36	31.9	1.13	9
17	West Ham United*	35	43.5	0.80	=15
18	Burnley	30	18.2	1.65	2
19	Hull City	30	31.1	0.96	13
20	Portsmouth* (D)	19	N/A	N/A	N/A

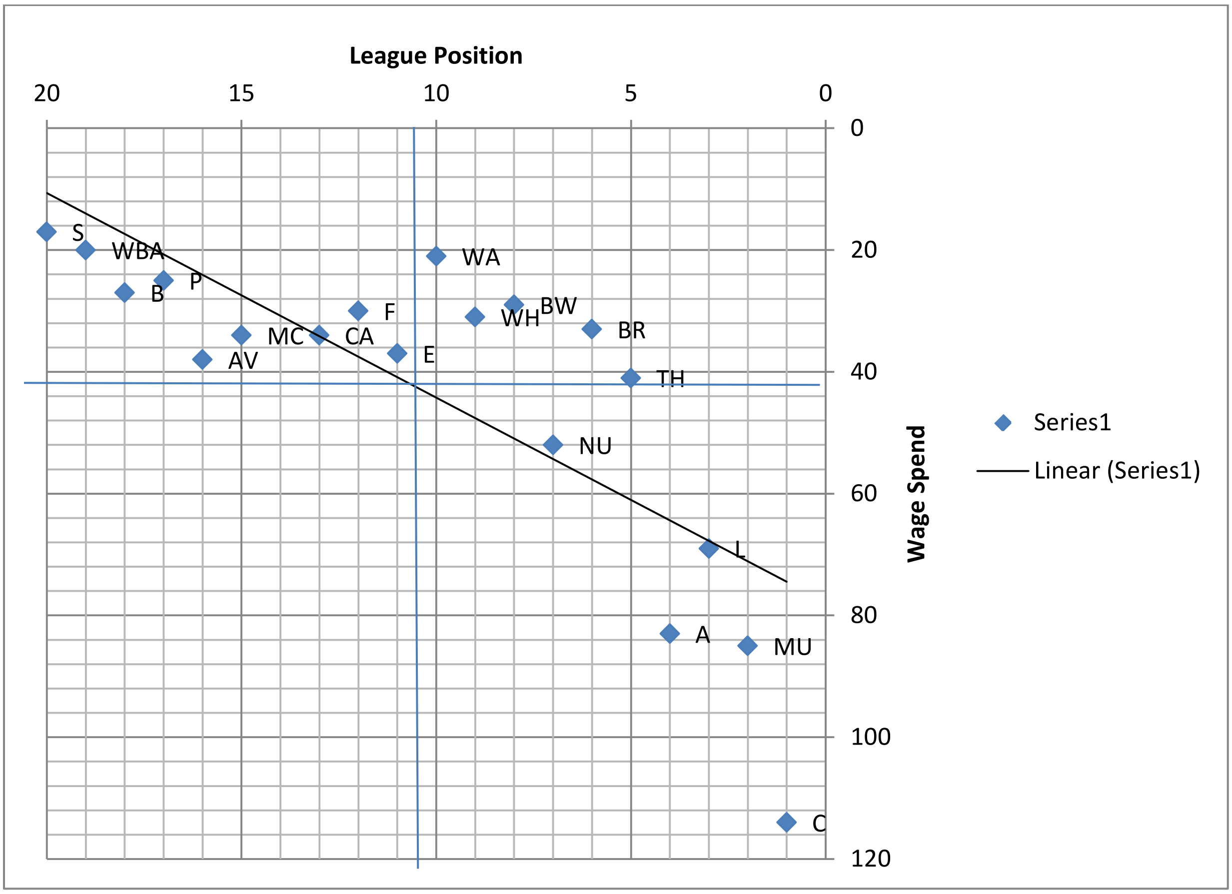
(Source: Deloitte, Annual of Football Finance, 2007 and author calculations)

(* denotes foreign owned club. D denotes Portsmouth deducted nine points, although wage data unavailable)

As with 2006/2007, the first issue to note is that the point per cost ratio is becoming smaller across all clubs. This is due to the constant presence of wage inflation in the Premier League and the constraint on total points available. Once again, the league was dominated by foreign owned clubs in the top positions, but foreign ownership also proved to be beneficial for some mid-table clubs. The most prominent example of this particular case was Birmingham who recorded the largest point per cost in the division, indicating a high level of productivity. In contrast the point per cost scores at West Ham and Sunderland were lower than clubs which finished in league positions around them. This indicated these foreign owned clubs did not make effective use of their resources. Some domestically owned clubs displayed strong productivity, such as Tottenham, Everton, Blackburn, Stoke, Wolves, and Burnley all had point per cost scores of 1.28 or higher. On this measure, FDI has been shown to have had a mixed effect on productivity. Some clubs have clearly benefitted from foreign ownership, but others have not displayed the same benefits. For domestically owned clubs, some have been shown to have improved productivity on the field of play despite the presence of foreign owned clubs with greater resources, while others such as Charlton and Bolton have seen their productivity decline. Prior to FDI entering the Premier League, these two clubs were able to compete with rival clubs which had greater resources, but as FDI increased the level of resources available to other clubs, led to both Bolton and Charlton being unable to maintain the same level of performance.

With the point per cost of each of the Premier League clubs considered in these three seasons, the second method of measuring productivity was to compare wage spending and league finish more explicitly. The average league position is 10.5 (as there are 20 clubs in the division). Hence any club with a league position greater than this figure is classed as having higher sporting performance, whilst those with a league position below 10.5 were classed as having lower sporting performance. This is then compared to the level of wage spending, with the second line referring to the average wage costs in the Premier League during a particular season. Any club above this line was considered to have an above average wage costs, whilst any club below had below average wage costs. The average wage bill, for 2005/2006 was £42.7m (Deloitte, 2007). The data for 2005/2006 is shown in Figure 7.6:

Figure 7.6: Comparison of Total Wages with League Position 2005/2006

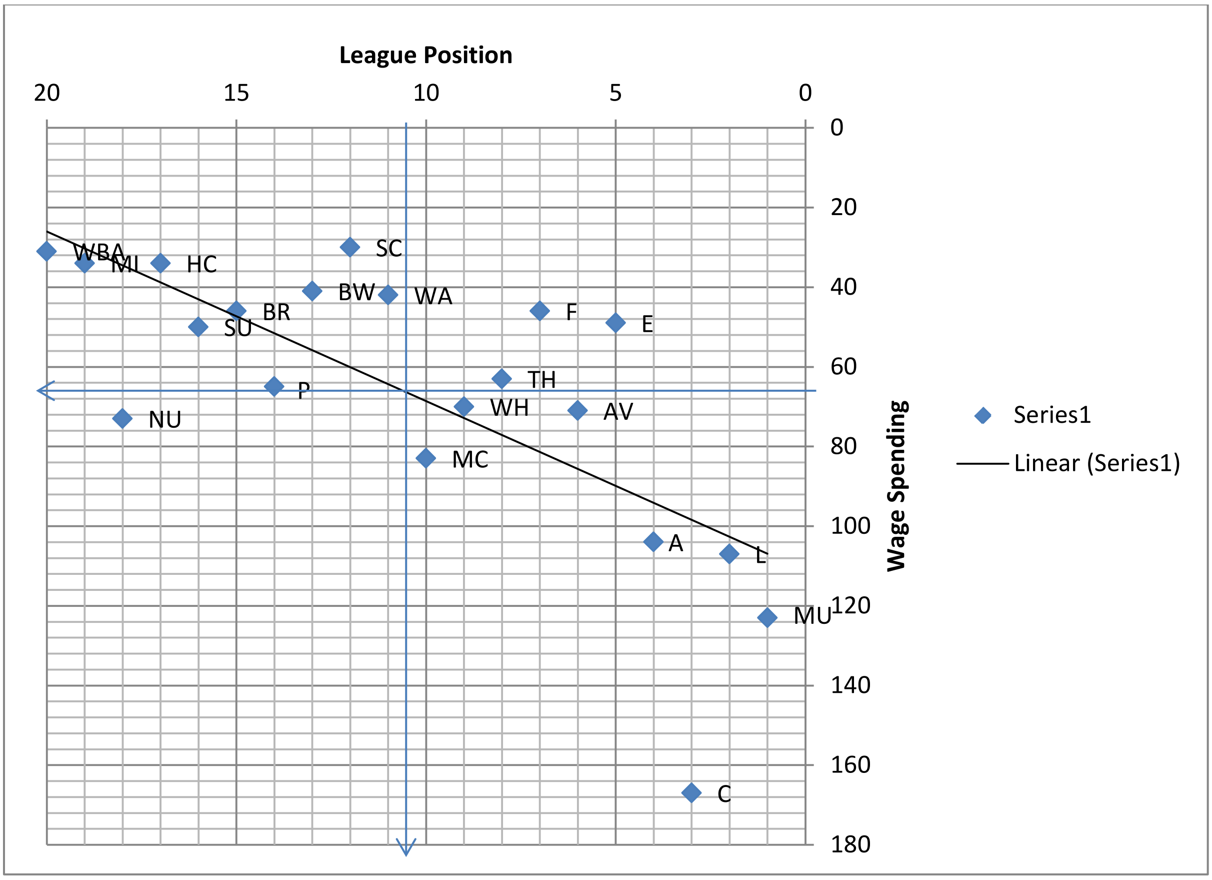


(Source: Deloitte Annual Review of Football Finance, 2007). For Initials see Appendix four.

Figure 7.6 splits the combination of wage spend and league position into four quadrants. However, the quadrants are not fixed, as seasonal changes in the average total wage spend by clubs will impact on the position of these quadrants.

The clubs with higher sporting performance and higher cost are shown in the bottom right of the diagram; clubs with lower sporting performance and higher cost are shown in the bottom left quarter of the diagram. The clubs with higher sporting performance and lower wage costs are shown in the upper right quarter of the diagram, and finally, those clubs with lower sporting performance and lower wage costs are shown in the upper left section of the diagram. From the 2005/2006 data, five clubs (Blackburn (BR), Bolton (BW), West Ham (WH), Tottenham (TH), and Wigan (WA)), fit into the higher sporting performance and lower wage cost category. This highlights that these four clubs were outperforming their level of wage spending, and suggests strong levels of on-field productivity. The majority of the clubs in 2005/2006 fell into the lower sporting performance and lower cost quarter of Figure 8.9, with Aston Villa (AV) close to falling into the higher cost and lower sporting performance quarter. Figure 7.7 shows the comparison of wage spending to league position for the 2008/2009 season:

Figure 7.7: Comparison of Total Wages to League Position in 2008/2009

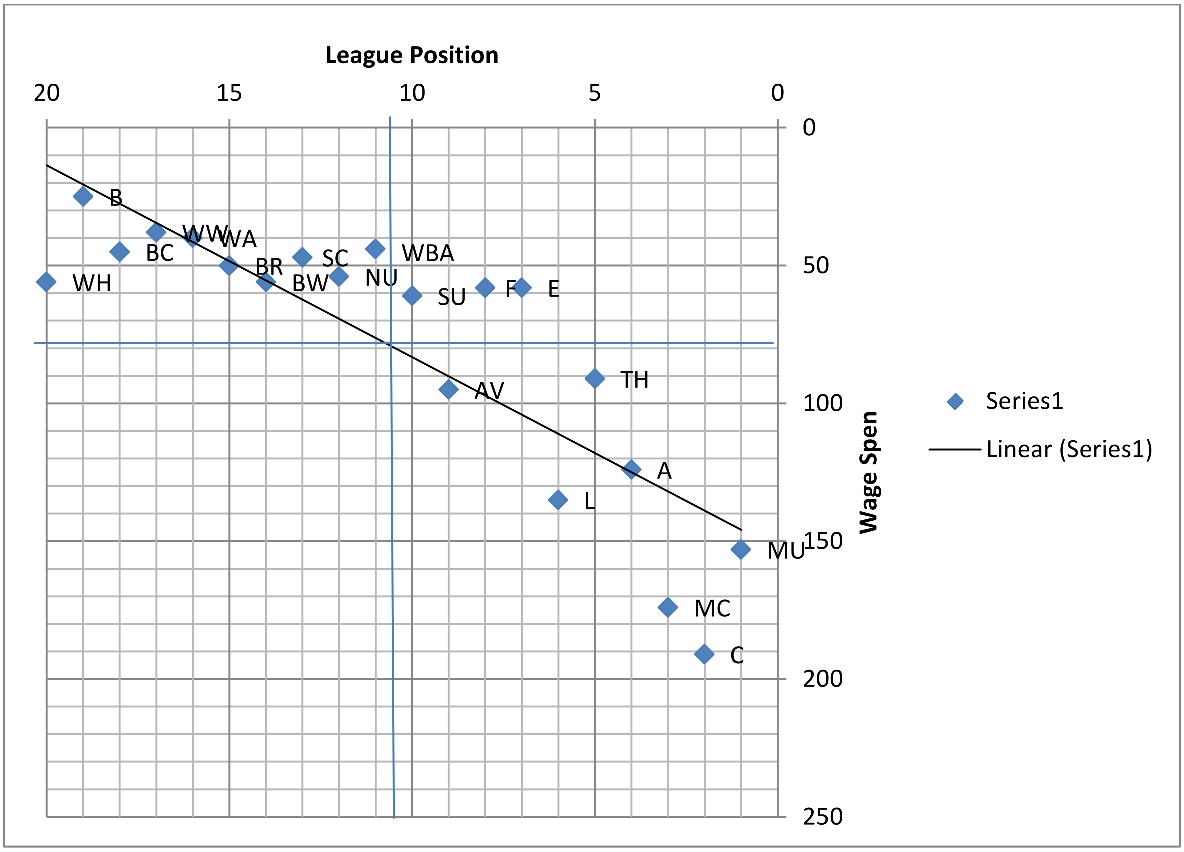


(Source: Deloitte Annual Review of Football Finance, 2010). For Initials see Appendix four.

Four of the five clubs identified as having lower wage costs and higher sporting performances in the 2005/2006 season are no longer in this quadrant of the diagram. Wigan, Bolton, and Blackburn all have below average wage bills, but they are no longer performing at an above average level in the Premier League. West Ham now had an above average wage spend. In this quadrant, Everton, Tottenham, and Fulham are now present. In the lower sporting and higher wage costs quarter (bottom of the quadrant) Newcastle is the only club, although two foreign owned clubs (Portsmouth and Manchester City) are close to entering this quarter. There were no clubs in this category in 2005/2006.

Turning now to the 2010/2011 season when ten clubs were under foreign ownership (see Figure 7.8), shows further developments.

Figure 7.8: Comparison of Total Wages with League Position 2010/2011



(Source: Deloitte, 2012 Annual Review of Football Finance). For Initials see Appendix four.

The data from 2010/2011 displays three clubs (Everton (E), Fulham (F) and Sunderland (SU)) which all had above average league finishes and below average wage spend. These clubs are shown in the upper right quarter of the diagram. When comparing the data with 2005/2006, it is evident that clubs such as Blackburn (BR), Bolton (BW), Wigan (WA), and West Ham (WH) are all displaying lower levels of productivity on the field of play. These four clubs are now in the upper left quarter of Figure 7.8, which reflects lower sporting performance and lower wage costs. In contrast, Everton are a domestically owned club which have continued to perform above expectations, and they are shown to have a strong level of on-field productivity.

The results from this data indicate that football productivity is dynamic, with seasonal variances in the level of on-field productivity at every club as well as long term effects. However, of those clubs which remained in the same quadrant, all of the clubs were in the high wage high performance group. These clubs were Chelsea, Manchester United, Arsenal, and Liverpool, and this reflects an 'inbuilt' advantage held by the largest clubs over the rest in the Premier League.

As a result, the overall picture from this data implies mixed effects. Some domestically owned clubs (like Everton) have improved their on-field productivity despite holding resource disadvantages when compared to other clubs. However, other clubs (such as Charlton or Bolton) have not been able to sustain strong levels of productivity as FDI entered the Premier League has increased, further highlighting the dynamic effects. Not all foreign owned clubs have shown strong on-field productivity (i.e. West Ham under Icelandic ownership). Such a situation contradicts those in the wider FDI literature who have suggested foreign owned firms to have greater productivity than domestic firms.

7.1.5 Performance of foreign owned clubs-on field

The final sporting aspect to be considered in this chapter is the effect FDI has had on the on-field performance of clubs in the Premier League. This considers the league finishes of clubs across the division.

The Premier League title has been won by a foreign owned club in each season from 2004/2005 onwards, with Arsenal the last domestically owned club to have won the Premier League title in 2003/2004. Since that period, Chelsea have won three titles (2004/2005, 2005/2006, and 2009/2010), and Manchester United have won four (2006/2007, 2007/2008, 2008/2009, and 2010/2011). When considering the clubs finishing in the top four positions (thereby qualifying for the Champions League), this was dominated by foreign owned clubs from 2006/2007 onwards. In 2006/2007, 2007/2008, and 2008/2009, three of the top four league finishers were foreign owned clubs with Arsenal the only exception. In 2009/2010, this was reduced to two clubs (Arsenal and Tottenham who were not foreign owned), but in 2010/2011 all four of the Champions League qualifiers were foreign owned clubs. Foreign ownership does not guarantee success but at the bottom end of the Premier League by 2010/2011, only Wimbledon (1999/2000), Derby (2007/2008), Portsmouth (2009/2010), and Birmingham (2010/2011) have been relegated while under foreign control.

At the three case clubs, FDI had a positive effect on sporting performance. The league finishes for the three case clubs (from 2001/2002 to 2010/2011) are shown in Table 7.4.

Table 7.4 Case Clubs League Finishes 2001/2002 to 2010/2011

Season	Fulham's League Finishes	Manchester City's League Finishes	Manchester United's League Finishes
2001/2002	13	1 (Division One)	3
2002/2003	14	9	1
2003/2004	9	16	3
2004/2005	13	8	3
2005/2006	12	15	2
2006/2007	16	14	1
2007/2008	17	9	1
2008/2009	7	10	1
2009/2010	12	5	2
2010/2011	8	3	1

At Fulham, improvements in on-field performance due to the arrival of FDI were noted:

"They have improved; obviously the league form, getting to the Europa League final has been excellent, and that has been a major plus (Respondent D)

"We've [Fulham Fans] *not been angry in the sense that we've not got into the Champions League, getting into the Europa final is more than probably any post-war Fulham fan would ever have considered. What we would like to do, the only thing that really disappointed the fans prior to that was the feeble showing in the FA Cup semi-final" (Respondent D)*

In the period before Al-Fayed's investment, Fulham had languished in the lower divisions of the Football League. However, since promotion to the Premier League in 2001/2002 they have not been relegated. In only two seasons (2006/2007 and 2007/2008) did Fulham face a serious threat of relegation. As a result, the performance of the club in foreign control was much improved compared to the final seasons of domestic ownership.

At Manchester City, performance also improved significantly under foreign control. Before the club's takeover by Thaksin Shinawatra in 2007, Manchester City finished fifteenth and fourteenth in the Premier League. The lowest finish under foreign control has been tenth in 2008/2009. In comparison, the highest finish under domestic control was eighth in 2004/2005. In contrast to the other two case clubs, Manchester United was already highly successful under domestic ownership. However, under foreign control, Manchester United has continued to generate success on the field of play. In the final two seasons of domestic ownership, Manchester United finished third in both seasons (2003/2004 and 2004/2005), but under foreign control the lowest league position was second. Alongside this league success, Manchester United also won the Champions League (2007/2008), and reached two further Champions League finals (2008/2009 and 2010/2011). Under domestic control from 2001/2002 to 2004/2005, the best Champions League performance was a semi-final place in 2002/2003. However, as highlighted earlier in the chapter, the resources committed to transfer spending by the Glazer family were much lower than other foreign investors. A wider argument about Manchester United's ability to compete with other 'elite' clubs also existed:

"Because we've [Manchester United] *been taught a lesson twice by them* [Barcelona] *in the last three years" (Respondent C)*

But could Manchester United's recent success be down to other factors?

"I don't disagree we've [Manchester United] *done well. I actually ask people to look at the standard of the Premier League, and say look at how many games we* [Manchester United] *won last season to win the league compared to how many we had to win three years previously" (Respondent C)*

Other factors, external to the club obviously influence the on-field performance and the then strength of the clubs manager (Sir Alex Ferguson) possibly provided a benefit not supplied by any foreign investor.

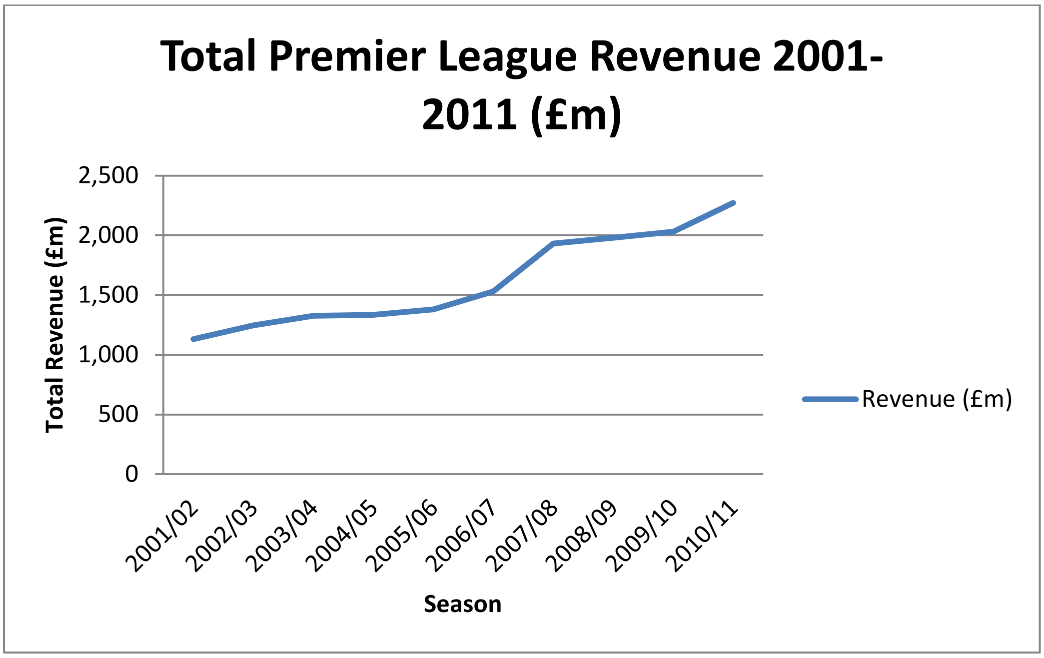
7.2 Football Business Consequences of FDI

With the sporting context having been considered, the next phase of this chapter will evaluate the consequences FDI had on the business of football.

7.2.1 Revenue

The total revenue generated by all twenty member clubs from 2001/2002 to 2010/2011 is shown in Figure 7.9

Figure 7.9: Total Revenue in the Premier League 2001/2002 to 2010/2011



(Sources: Deloitte Annual Review of Football Finance, 2007, 2012)

From 2001/2002 to 2010/2011, the total revenue generated by all Premier League clubs increased by 100.6% from £1.1bn to £2.3bn. In 2001/2002, average revenue for each Premier League club was £55m, and by 2010/2011, this had risen to £115m. However revenue was unequally distributed. In 2010/2011, six clubs had a turnover greater than £115m. Indeed, these six clubs (Manchester United, Arsenal, Chelsea, Liverpool, Tottenham, and Manchester City) had combined revenue of £1.3bn, 56.5% of the total revenue generated by the twenty clubs. In 2001/2002 the top six clubs by revenue generated 51.6% of the total revenue in the Premier League. Revenue imbalances were present in the Premier League prior to the arrival of FDI, but its arrival has intensified revenue inequality in the Premier League.

Revenue arises through three different aspects (matchday, commercial, and broadcast income). Of these three revenue streams, the largest cumulative increase was recorded in broadcast income. This increased by 148% from £475m in 2001/2002 to £1.178bn in 2010/2011. Commercial revenues increased by 61% from £335m to £542m, and matchday income by 69% from £322m to £551m (Deloitte, 2007, 2012).

It was apparent the entry of FDI into the Premier League did not slow down the general pattern of revenue growth in the division. However, to what extent has FDI influenced the flow of revenue entering the Premier League? "Openness" to foreign investment has been considered as being more beneficial to revenues by the league itself:

"We have a cosmopolitan approach to players and a cosmopolitan approach to ownership and that is paying off" (Richard Scudamore in BBC Business News, 2007)

This comment deals specifically with revenues generated from international broadcast deals. However, the increase in the value of the domestic rights deal beginning in summer of 2007 was influenced by the additional competition in the broadcast market. Previously, Sky Sports was the only broadcaster of live Premier League football, but the European Commission ruled this was a breach of competition rules (BBC Business News, 2005). The market was opened up to different organisations, and the Premier League was forced to sell different packages of matches. So rather than the arrival of Roman Abramovich or the Glazer family influencing these revenues, competition (by purchases of television rights) in the domestic market could have had a greater effect.

Thus, a contradictory argument emerges. Some Premier League insiders suggest that FDI has had a positive effect on revenues (particularly in the global context), whilst others suggest that the benefits are much less apparent. Similarly, when looking at whether FDI entering the Premier League has increased demand or interest in football there is no clear picture available. In terms of the wider issue surrounding causality, the growth in revenues was attractive to foreign investors in the first instance (in terms of encouraging FDI). Then as the FDI has arrived, this made the Premier League even more attractive to broadcasting companies.

At the club level, commercial performance improvements were noted by one of the two clubs under foreign ownership from the questionnaire. But what has happened at the three case clubs?

The revenue for the three case clubs (again from 2001/2002 to 2010/2011) is shown in Table 7.5.

Table 7.5 Revenues for the three case clubs from 2001/2002 to 2010/2011

Season	Fulham's Revenue (£m)	Manchester City's Revenue (£m)	Manchester United's Revenue (£m)
2001/2002	32.7	28	148.1
2002/2003	34.9	49	174.9
2003/2004	42.9	61.9	171.5
2004/2005	39.5	60.9	159.4
2005/2006	37.5	61.8	167.8
2006/2007	39.7	56.9	212.2
2007/2008	53.8	82.3	257.1
2008/2009	67	87	278.5
2009/2010	77.1	125.1	286.4
2010/2011	77.1	153.2	331.4

(Source: Deloitte Annual Review of Football Finance, 2007, and 2012)

At Fulham the period between 2001/2002 to 2010/2011 represented seasons where the club was under foreign ownership. Before the arrival of Mohamed Al-Fayed in 1997, Fulham were competing in the Football League, and as a consequence were generating much lower revenues than at any point in the last ten seasons. Indeed, in 1996/1997, Fulham had revenue of £2.1m, which increased to £8m by 2000/2001 (footballeconomy, 2009). This outlines the benefits of gaining promotion to the Premier League, but also reflects the importance of Al-Fayed's ownership, as Premier League football would probably not have been possible without his investment.

While Al-Fayed's investment helped to increase revenues through on-field performance Fulham also had increased revenue generated from commercial sources, but despite this, they were heavily reliant on broadcast income. In 2008/2009, 64% of the club's income (£43m) came from broadcast rights. Only four clubs (Wigan, Blackburn, Portsmouth, and Stoke) had a higher dependency on broadcast income (Swiss Ramble, 2010). In 2010/2011, this figure was still 61.5% (Deloitte, 2012), implying a weakness in generating revenue from other sources of revenue.

As with Fulham, Manchester City's revenues grew consistently over the ten seasons between 2001 and 2011. Significant increases in income were recorded in 2002/2003 (following promotion), and 2003/2004 (due to the move to the City of Manchester Stadium). However, in the final seasons of domestic ownership, revenue showed a 7.9% decline in 2006/2007. The data from 2007/2008 onwards highlights the period of foreign ownership. A significant increase in revenue of 44.6% was recorded in 2007/2008. However the change in revenue was driven by the new television deal starting in the summer of 2007. As a result, Manchester City became more reliant on this income stream, with 53% of revenue coming from broadcast sources in 2007/2008, compared to 42% in 2006/2007 (Swiss Ramble, 2011).

Manchester City's second foreign owner, Sheikh Mansour, took control in September 2008, so this had limited impact on the revenues generated in 2008/2009. The impact of this ownership change (on revenues) was stronger in 2009/2010. In particular, the new ownership was able to increase the revenue generated from commercial sources, implying the ownership from Abu Dhabi held ownership advantages in this aspect. In 2010/2011, 42% of Manchester City's revenue came from commercial sources, an increase of 11% compared with 2007/2008. The drivers of the additional commercial revenues were partnerships with a range of organisations from Abu Dhabi including Etihad Airways and the Abu Dhabi Tourism Authority. Commercial income reached £65m in 2010/2011 (Swiss Ramble, 2011). These partnerships indicated that Abu Dhabi ownership was able to exploit backward linkages (reverse spillovers) to their home market, highlighting a set of unique advantages for Manchester City. In total, Manchester City's revenues had increased by 169.2% while under foreign control, and this equates to an 86.1% increase from 2007/2008. Another feature of Manchester City's revenues is they do not include any income generated from participation in the Champions League. Thus there is potential for an even greater enhancement in revenues.

As with Fulham and Manchester City, Manchester United's revenues have consistently grown over the ten-year period identified. However, in the final seasons of domestic ownership (2003/2004 and 2004/2005), revenue growth slowed. Indeed, a decline in revenue was recorded in both the 2003/2004 and 2004/2005 seasons. In contrast, since 2005/2006 (the period of foreign ownership), revenue has increased in each season. In total, revenue has increased by 97.5% during the period of Glazer ownership.

Whilst already being the strongest club (in terms of commercial performance) in the Premier League, in foreign ownership, Manchester United has continued to perform strongly in this aspect. Indeed, in 2005/2006, the total commercial revenue generated by Manchester United was £49m. By 2010/2011, this had increased to £103m (Swiss Ramble, 2012). Manchester United's enhanced performance in their commercial operations is particularly, related to the expertise of the Glazer family:

"*if you spoke to David Gill* [Manchester United CEO] *he would say that they've benefitted from the American ownership. Not through direct investment but through the expertise and marketing" (Respondent E)*

Panja (2011) too has argued the Glazer family directed investment into the clubs commercial operations.

7.2.2 Wages and Transfer Costs

Whilst in terms of revenue, FDI has been shown to have a positive impact, what about costs? For many football clubs the main costs are those relating to wages and transfers.

In terms of wages, Table 7.6 shows the total wage spending from 2001/2002 to 2010/2011 in the Premier League. This table also indicates how the wages have grown over this period:

Table 7.6 Total Wage Spending in the Premier League from 2001 to 2011

Season	Total Wage Spending (£m)	Actual Change (£m)	Percentage Change
2001/2002	706	144	25.6
2002/2003	761	55	7.8
2003/2004	811	50	6.6
2004/2005	785	-26	-3.2
2005/2006	854	69	8.8
2006/2007	969	115	13.5
2007/2008	1,196	227	23.4
2008/2009	1,325	129	10.8
2009/2010	1,398	73	5.5
2010/2011	1,599	201	14.3

(Source Deloitte Annual Review of Football Finance, 2012)

Across the ten seasons covered in Table 7.6, wage inflation has been a constant theme, with just a single season (2004/2005) displaying a reduction in wage spending compared with that of the previous season. The largest increases in wage spending were recorded in those seasons where new television rights contracts have commenced (2001/2002, 2007/2008 and 2010/2011). The one exception to this was 2004/2005, where wage spending declined in comparison to the previous season. Therefore, broadcast revenues were influential in deciding how much money was spent on wages across the Premier League. But has FDI also affected the level of wage spending?

Some of the respondents from domestically owned clubs felt foreign owned clubs were able to fund wage spending to a greater extent than domestically owned clubs:

"By them [foreign owned clubs] *seemingly having more money to spend and being prepared to spend more money on transfers and salaries" (Respondent A)*

This is confirmed by data using the case study clubs. The total wage spending for each case club is shown in Table 7.7

Table 7.7 Case study clubs wage spending from 2001 to 2011

Season	Fulham's wage spending (£m)	% of turnover (Fulham)	Manchester City's wage spending (£m)	% of turnover (Manchester City)	Manchester United's wage spending (£m)	% of turnover (Manchester United)
2001/2002	30.9	94.5	24.4	87.1	70.8	47.8
2002/2003	36.4	104.3	35.4	72.2	79.5	45.5
2003/2004	30.9	72	37.7	60.9	76.9	44.8
2004/2005	33.9	85.9	37.7	61.9	77	48.3
2005/2006	30.1	80.3	34.4	55.5	85.4	50.9
2006/2007	35.2	88.7	36.4	64	92.3	43.5
2007/2008	39.3	73.2	54.2	65.9	121.1	47.1
2008/2009	46.2	69	82.6	94.9	123.1	44.2
2009/2010	49.1	63.9	133.3	106.6	131.7	46
2010/2011	57.7	74.8	174	113.6	153	46.2

(Source Deloitte Annual Review of Football Finance, 2007, 2012)

Wage spending at Fulham increased consistently from 2005/2006 onwards, having fluctuated in earlier seasons (see Table 7.7). During this early period, Fulham were spending a similar amount on player wages as Aston Villa and Everton, both of which were established Premier League clubs with larger revenue streams (Deloitte, 2007). Despite having revenue levels amongst the lowest in the division, Fulham were amongst the top ten clubs measured by wage spending in three out of their first four seasons in the Premier League. It was investment from Mohamed Al-Fayed, rather than additional revenue which was fuelling much of this spending. The wage to turnover ratio was pushed to over 70% in all but two seasons. This 70% figure is of particular importance, as Deloitte consider wage spending above this level to require additional outside funding. Furthermore, UEFA use 70% as the threshold for the Financial Fair Play regulations. Thus, any clubs exceeding this level could face penalties (Deloitte, 2012).

At Manchester City, foreign ownership also influenced an increase in wage spending. Between 2002/2003 and 2006/2007 the total amount spent on player wages was generally consistent with even a slight decline of 3.4% between 2004/2005 and 2006/2007. In this same period, Manchester City fell from being one of the top six clubs by wage spending to the thirteenth. However, the pattern under foreign control was very different. In 2007/2008, wages rose by 48.9%, with a further increase of 52.4% in the following the season. Both foreign takeovers were shown to have major effects on the level of wage spending undertaken by the club. This pushed the wage turnover ratio to a level above 100% by 2009/2010, indicating Manchester City were wholly dependent on funding from the clubs ownership to fulfil some of their wage obligations.

As with the other two case clubs, wage spending increased at Manchester United following the takeover of the club by a foreign investor in 2005. However Manchester United has maintained a wage to turnover ratio of below 50% across all but one season. This was due to the clubs ability to generate significant revenue from commercial sources. But in comparison to Manchester City, the rate of growth (in wages) has been more limited. Between 2004/2005 to 2010/2011, wage spending at Manchester United increased by 98.8%, but at Manchester City wage spending increased by 378% during the same period.

Elsewhere foreign ownership had an impact upon the league wide changes in wage spending. For instance, at Chelsea, the investment from Roman Abramovich enabled wage spending to increase by £59.4m between 2002/2003 and 2003/2004. The actual change in wages for this season across the Premier League was £50m. Without the arrival of Abramovich, wage spending for the whole of the league would have been reduced in this season. Furthermore, of the increases between 2009/2010 and 2010/2011, £40.6m of the £201m increase in wage spending came from a single club (Manchester City). The combined increases in wage spending at Chelsea, Manchester United, and Liverpool equalled £52m (in 2010/2011). In-fact 46.1% of the total increase in wage spending came from five foreign owned clubs.

But what of the effect on domestically owned clubs? Does the entry of FDI affect the wage spending conducted by domestically owned clubs? Responses from the primary data suggest the arrival of FDI has impacted upon wage spending at domestically owned clubs too. Two respondents' completing the domestically owned questionnaire highlighted a significant effect on their club's wages from FDI entering other clubs.

"The problem is that it can deflect the market…salaries in the UK have gone stupid, and we all agree with that" (Respondent C)

"It's forced clubs to increase their investment by owners who were benefactors and now have had to become generous benefactors, and this would apply to clubs domestically owned….This far greater pressure on them to match or at least get close to matching the sort of exorbitant sums that can be thrown at a problem by Manchester City in particular" (Respondent D)

"The Manchester City effect, has driven wages up at the top end…inevitably it has. Has that impacted upon us a bit lower down the league? To a degree there's always a flow through" (Respondent F)

"*The bigger effect on us, and again it's a US investor, would be Sunderland and what they've done. I would say they've had a more inflationary effect on me and this club than Man City has" (Respondent F)*

But what if domestically owned clubs cannot match the wages offered by foreign rivals? Some responses from the questionnaire noted the difficulty some domestically owned clubs have faced in attracting quality players. This can then impact on the competitive balance of the division.

Table 7.8 compares the changes in wage spending across both foreign and domestically owned clubs who competed in both the 2001/2002 and 2010/2011 seasons.

Table 7.8 Wage Changes at Premier League Clubs 2001/2002 to 2010/2011

Club	Actual Change (£m)	Percentage Change
Arsenal*	63	102.6
Aston Villa*	63.9	206.8
Blackburn*	20.2	68
Bolton	37.7	204.9
Chelsea*	135.3	242
Everton	28.8	98.6
Fulham*	26.8	86.7
Liverpool*	78.8	140.7
Manchester United*	82.1	116
Newcastle	21.5	67
Sunderland*	35.1	136
Tottenham	54.6	149.2
West Ham*	22.6	68.3

(Sources Deloitte Annual Review of Football Finance, 2007, 2012)

(* and grey shading denotes club had some foreign ownership between 2001 and 2011)

Some domestically owned clubs (i.e. Bolton and Tottenham) had increased wage spending significantly over the ten season period suggesting evidence of wage spillover effects. Such increases have led, in some cases, too greater losses and debt, so while the changes were positive for players (and for agents) in the Premier League (Jones & Cook, 2014) the same cannot be said for club owners operating the club as a business unit.

With the effect on wages now established the next aspect to be explored concerns transfer fees. Table 7.9 shows the total level of transfer spending and the breakdown of this transfer spending between domestic and foreign clubs. These figures describe gross spending figures and included payments to player agents:

Table 7.9 Total Transfer Spending 2001/2002 to 2010/2011

Season	Overall Total (£m)	Total to other English	Total to non-English	Percentage Change
01/02	407	169	238	-4%
02/03	203	91	112	-50%
03/04	414	151	263	+103%
04/05	368	123	245	-11%
05/06	483	164	319	+31%
06/07	578	213	365	+20%
07/08	779	328	451	+35%
08/09	784	377	407	+1%
09/10	627	313	314	-20%
10/11	830	255	575	+32.4

(Adapted from Deloitte Annual Review of Football Finance, 2007, 2012)

In terms of gross spending, there has been a general upward trend over the ten seasons (column 2), although the pattern was not continuously upward. The seasons where the most transfer spending occurred are post the increase of FDI (i.e. from 2005/2006 onwards). However, as with wages, other non-FDI related aspects such as broadcasting revenues also influenced the level of spending in the transfer market. This created its own inflationary impact.

There have also been changes in the balance between the spending directed towards overseas and English clubs. From 2001/2002 to 2005/2006, the balance of spending directed towards overseas clubs rose. In 2001/2002, 58.5% of transfer expenditure was to overseas clubs, and by 2005/2006, this had reached 66%. From 2006/2007 to 2009/2010, the level of expenditure directed towards overseas clubs gradually declined, as more spending was conducted within the English market. In 2006/2007, 63.1% of transfer expenditure went to overseas clubs, but by

2009/2010, there was a nearly a 50/50 split between English and non-English clubs in terms of transfer spending. This was driven by more spending being recycled within the Premier League. Foreign players brought into the Premier League were now being transferred to other Premier League clubs.

However, by 2010/2011 the upward trend was re-established as 69.3% of total transfer expenditure went to overseas clubs.

The data on transfers can also be evaluated through net spending, which covers both incoming and outgoing transfers. The difference between these two aspects is net transfer spending.

Table 7.10 Total Net Spending in the Premier League 2001/2002 to 2010/2011

Season	Total Net Spending (£m)	Percentage Change
2001/2002	190	3.3
2002/2003	81	-57.4
2003/2004	259	219.8
2004/2005	194	-25.1
2005/2006	240	23.7
2006/2007	277	15.4
2007/2008	276	-0.4
2008/2009	220	-20.3
2009/2010	194	-11.8
2010/2011	485	150

(Sources: Deloitte Annual Review of Football Finance, 2007, 2012)

These figures show greater fluctuations than the gross spending figures already shown. The two peak seasons in Table 7.10, were 2003/2004 (due to Abramovich's arrival) and 2010/2011 (due to the new television deal). In 2003/2004, Chelsea generated a net spend of £131m, or 50.6% of the net transfer activity in that season. Likewise, in 2004/2005, Chelsea's net spend was £126.7m which was 65.3% of the total net transfer activity. This suggests that foreign investors may have had a significant effect on the transfer strategy of acquired clubs.

"I suppose there has been a few years recently where almost one man's money has run the transfer market for the summer or January window. It's just basically been transferring Abramovich's money around to different clubs. But that's going to have knock-on effects for other clubs about what they are going to put on their players for prices" (Respondent B)

This was further supported by Respondent C:

"The problem is that it can deflect the market. Because I mean transfer fees….in the UK have gone stupid and we all agree with that" (Respondent C)

Thus, it was not simply the arrival of FDI into certain clubs which had an inflationary effect on the transfer market, but the increased multiplier activity by these clubs on transfer prices across the Premier League. There may be distinct negative impacts of this transfer activity, since it creates higher costs, and greater inequalities. But for those clubs who focus on developing players through their youth system this effect could be positive if they can get more money due to the inflation in the transfer market.

At Fulham, significant investment was needed for the club to reach the Premier League. The transfer spending for Fulham in the Football League is shown in Table 7.11

Table 7.11 Fulham Investment in Player Transfers from 1997 to 2001

Season	League	Purchases (£m)	Sales (£m)	Net (£m)
1997/1998	Division Two	7.5	1.3	-6.2
1998/1999	Division Two	3	0.1	-2.9
1999/2000	Division One	7.6	0.5	-7
2000/2001	Division One	9.8	2.3	-7.5

(Source: There's only one debt in Fulham, Swiss Ramble 2010)

Although the scale of this investment is small compared to the investment conducted while in the Premier League, for a Football League club, this investment was relatively high.

"Well, the major investment occurred in players to really give Fulham a boost occurred when we were in the Second Division, and that was far greater money given to Jean Tigana than was given to say Kevin Keegan or Paul Bracewell, Ray Wilkins, and certainly Micky Adams" (Respondent B)

"We bought Jean Tigana, and his whole methodology was far better, but he said I want good quality players, who I know will do the job for us, and hence Fulham required a large number of very, very high quality Francophile players" (Respondent D)

Such investment would not have been possible without Al-Fayed's ownership. For the three case clubs the level of net transfer spending from 2001/2002 to 2010/2011 are shown in Table 7.12.

Table 7.12: Net Transfer spending at three case clubs 2001/2002 to 2010/2011

Season	Fulham's Net Transfer Activity (£m)	Manchester City's Net Transfer Activity (£m)	Manchester United's Net Transfer Activity (£m)
2001/2002	-29.7	-10.9	-12.1
2002/2003	3.4	-16	-7.9
2003/2004	5.5	-10.2	-28.8
2004/2005	-2.3	1.8	2.6
2005/2006	-9.6	11.9	-32.6
2006/2007	-4.6	-3.9	-10.6
2007/2008	-21.4	-30.1	-26.5
2008/2009	-13.6	-90.9	44
2009/2010	-1.6	-122.3	-30.4
2010/2011	-4.3	-143.7	-11.4
Total	-73.9	-414.3	-113.5

(Sources: Deloitte & Touche, Annual Review of Football Finance, 2007, 2012)

As with the early period of foreign ownership, Fulham continued to be active in the transfer market following promotion to the Premier League in 2001 (as shown in Table 7.12). Over the 2001/2002 to 2010/2011 period, Fulham have a larger net transfer spend than clubs such as Arsenal, Everton, and Newcastle all of whom generate much larger revenue. One respondent questioned the strategy used by Fulham in relation to transfer spending:

"Given the fact that we've [Fulham] *suddenly splashed out I think ten and half million for Bryan Ruiz, then it suggests that it's very much on a whim" (Respondent D)*

At Manchester City, a clear distinction was drawn between the net transfer spending under domestic and foreign ownership. Between 2001/2002 and 2006/2007, whilst under domestic ownership, Manchester City's total net spend was £27.3m. In contrast, between 2007/2008 and 2010/2011 whilst under foreign ownership, the total net spend was £387m. In the final three seasons of domestic ownership, Manchester City's transfer spending even declined compared with the 2001/2002 to 2003/2004 period. Domestic ownership was shown to have constrained transfer spending. However, under foreign control the financial power of Thaksin Shinawatra, and in particular Sheikh Mansour reversed this trend, and provided the club with a significant advantage over some rival clubs.

Despite the advantages outlined in terms of revenue, Manchester United has had a significantly lower net spend than Manchester City over the same period. Transfer spending while under foreign control did not increase to the same extent as the other two case clubs but as a result of this activity, the club's transfer strategy was questioned:

According to David Gill [Manchester United CEO], Manchester United were able to compete for "top players" in the transfer market. However, under the Glazer ownership, transfer spending was not as high as at other clubs (Andersred Blog, 2011)

However, this view was contested. David Gill also suggested that over time, Manchester United have rarely purchased the major world star (Ashdown, 2011).

Another perspective suggested that the lack of transfer activity at Manchester United compared to other clubs at the top of the Premier League, was driven by financial concerns and the form (leveraged buyout) of the Glazer takeover:

"if you think about it they've been paying £65m a year in interest charges. How many Ronaldo's would that have bought" (Respondent C)

In the summer of 2011, there was an evolution in the clubs transfer strategy:

"So the only thing you can do to get that valuation up is spend money, and the only reason you doing that then, if you want to increase the valuation is because you want to sell it, and you want to maximise your profit"(Respondent C)

Of course the third strand to this argument was that Manchester United did not need the same level of investment as Manchester City as they were already an established force in the Premier League and Europe.

At foreign owned clubs, transfer spending has (for the most part) been shown to have increased following the entrance of FDI. This has produced some resignation in other clubs:

"If you haven't got the money that Chelsea and Manchester City have got, you're never going to buy Fernando Torres. When somebody does buy Fernando Torres for £50 million all you can be is philosophical. But you then do also regret the knock-on effect that you know it will have" (Respondent A)

Transfer market inflation has spread across the Premier League and, as with wages, this has created a negative impact on those clubs which did not have access to similar resources.

"So if the club next to us receives an injection of funds, they spend wisely and they spend in a structured way, is that going to make it more difficult for us, then all other things being equal, it has too" (Respondent F)

"*But would we want to enter into a scenario whereby we were losing £20 million a year in order to stand still then no I don't think any of us would" (Respondent F)*

Finally in this section, Table 7.13 compares the transfer spending of those clubs who competed in both the 2001/2002 and 2010/2011 Premier League seasons.

Table 7.13 Total Net Spending at Premier League Clubs 2001/2002 to 2010/2011

Club	Total Net Spend (£m)
Arsenal*	-54.5
Aston Villa*	-83.8
Blackburn*	-34.2
Bolton	-47.9
Chelsea*	-510.2
Everton	-46.2
Fulham*	-78
Liverpool*	-234.8
Manchester United*	-113.5
Newcastle	-66.1
Sunderland*	-109.1
Tottenham	-161.3
West Ham*	-37.2

(Sources: Deloitte Annual Review of Football Finance, 2007, 2012)

(* and grey shade indicates club had some form of foreign ownership between 2001 and 2011)

All of the clubs shown in Table 7.13 made a net loss on transfers. Other than Tottenham, the clubs which recorded the largest net spend were foreign owned for at least part of the ten seasons (i.e. Chelsea, Liverpool, Manchester United etc.). This implies domestically owned clubs had also increased net transfer spending in response to additional FDI entering the Premier League.

The data from the Premier League and the case study clubs indicates transfer costs have increased over the ten-year period covered (2001 to 2011). But FDI is not the only factor which influences transfer prices, as television income and other revenues were also influential.

7.2.3 Profit

For the purpose of this chapter, profit will be considered in two ways. Firstly, declared profit is considered at the operating level. This does not include any costs relating to player activity (i.e.

transfer fees). After establishing the effect FDI had on operating profits, the second form of profit to be considered is that at the pre-tax level. This takes into consideration player transfer costs, plus other costs relating to interest payments. The twenty members of the Premier League have recorded an operating profit in each season from 2001/2002 to 2010/2011 (as shown in Figure 7.10.).

Figure 7.10 Operating Profit in the Premier League from 2001 to 2011

(Source: Deloitte Annual Review of Football Finance, 2012)

The mean level of declared operating profit over these ten seasons was £116.8m. The peak operating profit of £185m was recorded in 2007/2008, since then the combined operating profit in the Premier League has fallen below the average. Declared operating profits have declined across the Premier League since 2008/2009 due to the balance of spending by foreign owned clubs. For instance, in 2010/2011, three foreign owned clubs, Aston Villa, Chelsea, and Manchester City made combined operating losses of £164.5m, up from £113.2m in 2009/2010 (Deloitte, 2012). These expanding losses have consequences for the Premier League. To investigate this further, the total operating profit/loss made by foreign owned clubs is shown in Table 7.14

Table 7.14 Total declared operating profit/loss made by foreign owned Premier League clubs 2001-2011

Season	Number of foreign owned clubs	Operating Profit/Loss (£m)	Rest of the Premier League (£m)
2001/2002	1	-10.2	94.2
2002/2003	1	-13.9	137.9
2003/2004	3	-14.2	163.2
2004/2005	3	-17.5	179.5
2005/2006	4	22.4	115.6
2006/2007*	7	46.5	48.5
2007/2008	10	81.5	103.5
2008/2009	9	1.7	77.3
2009/2010*	10	5.1	78.9
2010/2011*	10	-25.5	98.8

(Source: Deloitte Annual Review of Football Finance, 2007, 2012)

*=Aston Villa data unavailable in 2006/2007, Portsmouth data unavailable in 2009/2010)

From 2001/2002 to 2010/2011, domestically owned clubs have generated greater operating profits than clubs under foreign ownership. This was despite three of the last four seasons, where there are an equal number of foreign and domestically owned clubs. Also, whilst domestically owned clubs have always generated combined operating profits, foreign owned clubs collectively generated operating losses in five of the ten seasons. So at the operating level, foreign investors were more willing to sustain losses than domestically owned clubs.

However, what about the declared operating profits at club level? These will now be considered for the three case clubs. Table 7.15 displays the information.

Table 7.15: Operating Profit/Loss (before player trading) at the three case clubs 2001/2002 to 2010/2011

Season	Fulham's Profit/Loss before player trading (£m)	Manchester City's Profit/Loss before player trading (£m)	Manchester United's Profit/Loss before player trading (£m)
2001/2002	-10.3	-5.9	34.5
2002/2003	-13.8	1.7	47.8
2003/2004	0.9	4	51.8
2004/2005	-6.1	3.5	32.8
2005/2006	-6.2	5	41.1
2006/2007	-10.4	-1.4	66
2007/2008	-2	-1.6	71.8
2008/2009	5.8	-34.2	81
2009/2010	6.4	-55.1	91
2010/2011	2.6	-81.6	100.9

(Sources: Deloitte 2007, 2012 Annual Review of football finance)

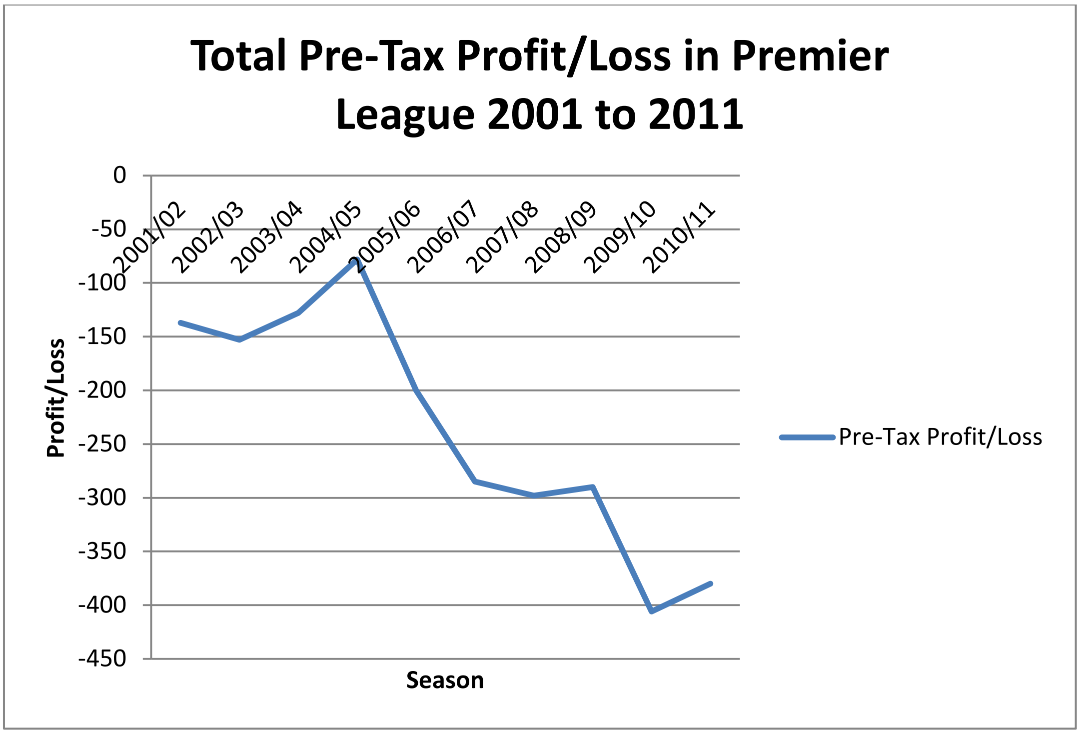
Over the period of foreign ownership, Fulham's declared operating profits gradually improved as revenue increased, and to some extent wages have been controlled. In the last three seasons, Fulham recorded operating profits, whereas between 2001/2002 and 2007/2008 there was only a single instance of Fulham generating a declared operating profit. Indeed, in the first two seasons of data, only one other Premier League club (Leeds United in 2002/2003) generated a greater level of operating loss.

For Manchester City, declared operating profits reduced following the clubs takeover by Sheikh Mansour. In domestic control, Manchester City was able to generate declared operating profits from 2003/2004 to 2005/2006. This was partly explained by the clubs move to the City of Manchester Stadium in the summer of 2003. The arrival of Thaksin Shinawatra in 2007, and the new television deal, had only a limited effect of operating profits. In contrast, the additional spending of Sheikh Mansour pushed Manchester City into a level of operating loss which was matched only by Chelsea. The operating losses made by Manchester City were amongst the largest ever recorded in the Premier League.

Despite the change in ownership, Manchester United continued to generate declared operating profits. From 2001/2002 to 2004/2005, operating profits grew by just 5.2%. In foreign ownership, the level of operating profit rose by 52.8% from 2005/2006 to 2010/2011. The effect of Manchester United's operating profit on the figures for the rest of the Premier League is important. The other nineteen clubs in the Premier League made a combined operating loss of £32.9m in 2010/2011. This raised a further question about the ability that clubs have to generate operating profits in the Premier League

If transfer fees are now included, the combined pre-tax profit/loss for the Premier League between 2001/2002 and 2010/2011 is shown in Figure 7.11

Figure 7.11 Combined Pre-Tax Profit/Loss in the Premier League 2001 to 2011



(Sources: Deloitte Annual Review of Football Finance, 2012, Arthur & Chadwick, 2007)

In the ten seasons of data shown in Figure 7.11, the twenty member clubs of the Premier League have made a combined loss in each season. The average loss per season was £235.5m. However, this figure was significantly influenced by the increases in pre-tax losses recorded from 2005/2006 onwards. Combined declared operating profits were eroded by the costs involved in transfer activity and interest payments. The effect of FDI on pre-tax profits has been influential. So as FDI increased in the Premier League pre-tax profits declined. For instance, in 2010/2011, £197.5m of the £380m loss was from Manchester City (Deloitte, 2012). As with operating profits, the activity of some foreign owned clubs (such as Manchester City) has impacted upon the overall profits generated in the division.

What effects were present in the case clubs? The pre-tax profit/loss data for the case clubs is shown in Table 7.16

Table 7.16: Pre-Tax Profit/Loss at the case clubs from 2001/2002 to 2010/2011

Season	Fulham's Pre-Tax Profit/Loss (£m)	Manchester City's Pre-Tax Profit/Loss (£m)	Manchester United's Pre-Tax Profit/Loss (£m)
2001/2002	-33.5	-13.9	32.3
2002/2003	-20.8	-14.1	39.3
2003/2004	0.5	-13.7	27.9
2004/2005	-12.9	-15.6	10.8
2005/2006	-15.9	10.1	-137.7
2006/2007	-15.9	-8	-62.5
2007/2008	1.6	-32.6	-44.8
2008/2009	-8.4	-92.6	21.6
2009/2010	-18.9	-121.3	-108.4
2010/2011	4.8	-197.5	12

(Sources: Swiss Ramble, There's only one debt in Fulham, United we stand divided we fall, 2010, Deloitte Annual Review of Football Finance, 2007, 2010, 2011, 2012, & footballeconomy, 2009)

Due to the investment in player wages and transfers by Mohamed Al-Fayed, Fulham's pre-taxes profits have been Inconsistent. In only three seasons from 2001/2002 to 2010/2011 did Fulham record a pre-tax profit. However, since the start of the 2007/2008 television deal the losses have generally declined (with the exception of 2009/2010). Thus, extra revenues from television deals are enabling Fulham to better manage their finances.

"What has happened is that Fulham's losses [have declined] *There is a suggestion that their year-on-year losses have been managed better" (Respondent D)*

Like Fulham, Manchester City was mostly a loss making club in the earlier part of this millennium. However, in foreign ownership, the scale of pre-tax losses have been much greater than when the club was in domestic control. Between 2001/2002 and 2006/2007, the average pre-tax loss was £7.9m per season. In comparison, between 2007/2008 and 2010/2011, the average pre-tax loss per season was £111m. This difference reflected the scale of the investment in foreign ownership compared to the investment under domestic control.

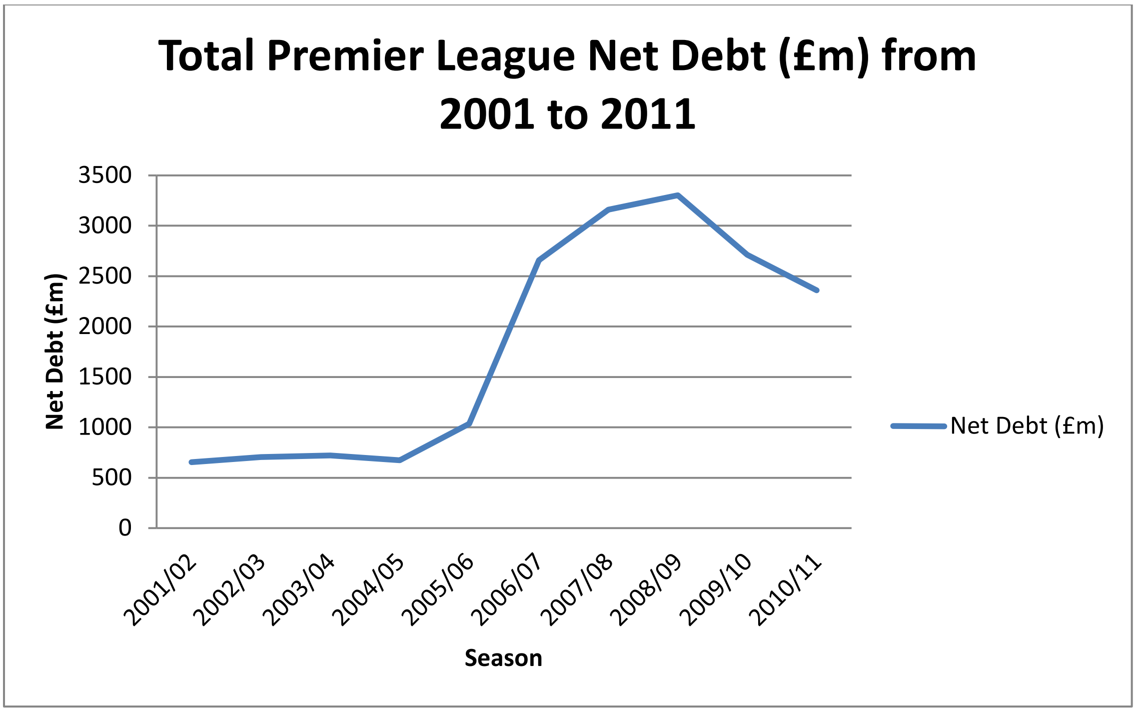
Despite being considered as profit seeking investors, the Glazer family were unable to consistently generate pre-tax profits from Manchester United. The 2008/2009 figures were skewed by the sale of Cristiano Ronaldo to Real Madrid for £80m. Had this £80m not been received, then Manchester United would have made a loss of £58.4m. Before the Glazer takeover, Manchester United were the most profitable club in the Premier League, and they were able to consistently record pre-tax profits (as shown between 2001/2002 and 2004/2005). The difference between the club in domestic and foreign control relates to the use of borrowed funds from banks and other financial institutions, and the resulting interest and debt servicing costs were responsible for the losses incurred after 2005/2006.

This part of the chapter has found, both declared operating and pre-tax profits to have been negatively influenced by the arrival of FDI. This has been shown at both the league and club level. In all three case clubs, losses were larger whilst under foreign control, but this was for varying reasons. At both Fulham, and Manchester City, the increased losses were caused by additional spending, but at Manchester United they were caused by debt servicing payments. The next stage of this chapter will explore the effect FDI has had on club debt.

7.2.4 Debt

The total net debt position of the Premier League is shown in Figure 7.4. This is the total net debt at each member club in each season from 2001/2002 to 2010/2011. Over this period, net debt has generally increased, particularly up to the 2008/2009 season.

Figure 7.12 Net Debt in Premier League from 2001 to 2011



(Sources: Deloitte Annual Review of Football Finance, 2007, 2012)

The level of net debt in the Premier League increased between 2004/2005 and 2008/2009. This coincided with the period where FDI activity in the Premier League was at its highest. In this period, the level of net debt increased from £674m to £3.3bn, a change of 389.8%. By comparison, between 2001/2002 and 2005/2006, debt increased by 58%. The extent to which this debt was not equally distributed between all clubs is evident from Table 7.17:

Table 7.17 Top Ten Clubs by Net Debt in Premier League 2006

Club	Net Debt (£m)
Arsenal	262
Chelsea*	180
Fulham*	167
Manchester City	94
Blackburn Rovers	94
Newcastle United	61
Sunderland	35
Bolton Wanderers	30
Wigan Athletic	30
Liverpool	26

(Source: Deloitte Annual Review of Football Finance, 2007).

(* and grey shade indicates club was foreign owned)

Of the top ten clubs by net debt in the Premier League at the end of 2005/2006, two (Chelsea and Fulham) were foreign owned. These two clubs had net debt totalling £347m. In contrast, the other eighteen clubs held net debt of £687m, thus a significant imbalance in debt was apparent in this season. This imbalance was driven by the entry of foreign owners at Fulham and Chelsea, as these investors had the ability to lend their clubs significant finance in order to improve performance. The top ten clubs by net debt in 2010/2011 are shown in Table 7.18

Table 7.18: Top Ten Clubs by Net Debt in Premier League 2011

Club	Net Debt (£m)
Chelsea*	816
Manchester United*	308
Newcastle United	268
Fulham*	193
Aston Villa*	153
Bolton Wanderers	111
Arsenal*	98
Sunderland*	77
Wigan	73
Liverpool*	61

(Source: Deloitte Annual Review of Football Finance, 2012)

(*and grey shade indicate club has some form of foreign ownership)

Of the top ten clubs by net debt at the end of the 2010/2011 season, seven were controlled by foreign investors. In total, the net debt held by these seven foreign owned clubs was £1.7bn. However, the remaining thirteen clubs in the Premier League (including the three domestically owned clubs in Table 7.17) had a debt of £654m (Deloitte, 2012). Therefore, in comparison to 2005/2006, net debt was shown to have increased, for both foreign and domestically owned clubs. Some of the reasons for this can be seen in the primary data:

"Yes because it's forced clubs either to increase their investment by owners who were benefactors and now have had to become generous benefactors, and this would apply to clubs domestically owned" (Respondent D)

The increase in debt was noted as a significant drawback of FDI entering the Premier League on the domestically owned questionnaire. This increased debt has two drawbacks. Firstly, there is the increase in debt at individual clubs, and secondly there is a league-wide effect:

"As long as they play by the rules… I suppose as long as they don't get into too much debt, don't do a Portsmouth" (Respondent E)

This reflects a desire for clubs to abide by the regulatory framework but other clubs have essentially 'played by the rules' but still gained an advantage over rival clubs:

"massive debts, leveraged buyout or in the case of Abramovich pretending the debt has been eliminated by converting it into something else" (Respondent D)

The story of 'pretending' that debt has been eliminated through the conversion of debt in equity implied an unfair advantage in advance of new regulations from UEFA concerning financial fair play. The debt was not paid off due to improved financial performance, but instead was related to a foreign owner ceasing to have any requirements for their loans to be repaid.

So while some potential issues at league level have been raised concerning regulation, and league health, what are the club specific issues with debt?

From 2004/2005 top 2010/2011, debt increased at Fulham by 63.6%. Upon promotion to the Premier League, the debt held by Fulham was £40.6m (Armitage, 2002). From 2001/2002 to 2004/2005, net debt increased by £77.4m to reach £118m, with net debt peaking in the 2008/2009 season. Since then it has declined marginally, but this still raises questions about sustainability over the long-term. This is reflected in Table 7.19.

Table 7.19: Net Debt at the case clubs from 2004/2005 to 2010/2011

Season	Fulham Net Debt (£m)	Manchester City	Manchester United

		Net Debt (£m)	Net Debt (£m)
2004/2005	-118	-100.2	65.3
2005/2006	-167	-93/9	6
2006/2007	N/A	N/A	-604
2007/2008	-197	-147	-699
2008/2009	-200	-229.6	-566.1
2009/2010	-190	-40.7	-609.5
2010/2011	-193	-42.9	-308.3

(Sources: Fulham Supporters Trust, 2005, Deloitte 2007, 2010, 2011, 2012 and Conn, 2009)

"the problem there is that somebody at some point has to deal with our extortionate debt. It's ridiculous, probably only a twelfth of our debt is corporate; the rest is personal debt to Al-Fayed" (Respondent D)

By comparison, in Table 7.17, only three clubs (Chelsea, Manchester United and Newcastle) had net debt levels greater than Fulham, but in all three cases the ability to cover debts was also greater due to the larger revenue generated by each of these clubs. One advantage for Fulham is the vast majority of the club's debt was owed to Al-Fayed in the form of soft loans (Swiss Ramble, 2010, Deloitte, 2012). Thus, potentially high interest charges were not incurred by the club.

But despite the loans being classed as "soft", there were some concerns:

"Now fans have said he can just write that off, well yes he can but of course his children can say sorry we don't fancy having £170 million of our inheritance wiped off... They can object to this and the fans don't really realize it" (Respondent D)

Unlike Fulham, Manchester City operated with large debts under domestic control. Although some of the debt was owed to club directors, in 2005/2006, £43m was also owed in the form of hire purchase/leasing of the City of Manchester Stadium (Deloitte, 2007). However, the support of some club directors was critical. Indeed, had it not been for the support of former chairman, John Wardle over the last decade, then Manchester City could have gone out of business (Manchester Evening News, 2010).

Both of the foreign takeovers at Manchester City coincided with a significant increase in debt. In the first takeover by Thaksin Shinawatra, net debt increased to £147m. The increase in net debt at Manchester City in this period was due to a reliance on borrowed funds. These came in three forms. The first was Shinawatra's personal investment which was treated as a loan with interest charged. The second form was the borrowing undertaken in the summer of 2008 in order to keep the club operational when Shinawatra's assets were frozen, and finally there was the use of personal loans from former directors in this same period (Conn, 2012). This period was could be summarized as follows. Under the control of Thaksin Shinawatra, Manchester City went into a steep financial decline. A loss of £33m was made for the 2007/2008 season, and additional loans were taken out alongside mortgaging the next seasons TV payments from the Premier League to Standard Bank (Conn, 2012).

Due to the financial losses, Manchester City admitted that they faced a 'cash challenge' in the short-term. Indeed, Garry Cook [then Manchester City CEO], confirmed that they club had taken a £30m bank loan to ease these problems (Taylor, 2008).

Following the takeover by Sheikh Mansour, the repayment of these loans was completed, but additional net debt was created, mostly in the form of loans from new shareholders (Deloitte, 2010). Rather than being repaid, these loans were converted into equity in the summer of 2010, reducing net debt to £40.7m (Deloitte, 2011). This presents a different scenario to that at Fulham (and some domestically owned clubs) where the loans are still required to be repaid at some stage.

In domestic ownership, Manchester United was one of a limited number of clubs to operate without any debt. In 2004/2005 the only other clubs free from debt were Aston Villa, Birmingham, and West Brom (Deloitte, 2007). In contrast, Manchester United, under the control of the Glazer family had debt increased significantly, reaching a peak level of £649.5m in 2007/2008. Unlike Manchester City and Fulham, where the majority of debt under foreign ownership was owed to shareholders, in Manchester United's case the debt was owed to commercial sources. This was due to the leveraged buyout used to purchase the club by the Glazer family. In order to purchase the club, the Glazer family used Payment-In-Kind (PIK) Notes alongside bank borrowings. This was a similar strategy to what the Glazer family used to purchase other businesses (Pratley, 2005), but was a rarity in football due to problems in generating profits and efficiencies. The total cost of purchasing Manchester United was £790m, and £540m of this was funded by debt financing.

In order to alleviate some of the costs relating to this debt, Manchester United held a bond issue in 2010:

"The bond issue was to get out of the high interest rates they were paying on the PIK notes, but they're still paying 9%. And it cost what was it £40 million" (Respondent C)

Despite the objective of lowering borrowing costs, the bond issue had a short-term impact upon the finances of Manchester United which saw increased losses and the clubs debt:

"Between £25-£40 million it cost to do the bond issue. And you're thinking well that £40 million, even if it was £25 million, that £25 million on top the interest you can see it's you're not covering,

if you had to pay the capital back we couldn't pay it, we haven't got the cash to do it"

(Respondent C)

However, by 2010/2011 the debt had reduced to £308.3m, as the Glazers repaid £220m of debt related to the PIK notes. Despite this reduction, the level of debt was still the second highest in the Premier League, and obligations surrounding the bond issue still cost £45m in 2010/2011 (Kelso, 2010).

In all three cases, debt increased in the short-term as a result of the FDI activity. In two of the cases, Fulham and Manchester City (a feature similar to that at Chelsea and Aston Villa), the debt was primarily owed to the majority owner of the club. At Manchester City, this debt was converted into equity, but at Fulham the debt remained. For Manchester United, the debt has been owned to commercial sources.

Over the period of 2001/2002 to 2010/2011, the level of net debt for all in the Premier League has risen, although growth in the debt was highest in the period of 2005/2006 to 2008/2009, where FDI activity was at its most prominent in the Premier League.

7.3 Management Effects

With the financial effects now investigated the next effect to be considered concerns the effects FDI has had on wider club management. This concerns how club management changed due to the presence of FDI, and what the effects have been on both foreign and domestically owned clubs. Respondents were asked about the effect FDI had on off-field management. Both of the respondents from domestically owned clubs, stated that off-field management was insignificantly affected by the entrance of FDI into the Premier League, and, only one of the foreign owned respondents suggested off-field management had been greatly improved by the arrival of FDI. Nevertheless, some foreign owners were seen to have advantages over domestic owners:

"they will be more savvy and experienced to the global marketing opportunities of sport" (Respondent A)

As foreign owners brought with them experience benefits, this helped to enhance off-field management at acquired clubs, but these effects may not have spilled over to domestically owned clubs.

When the case study clubs are examined, all three cases have seen some improvement in management structures. At Fulham, there was more scope to improve, as the club was operating in the Second Division at the time of the club's takeover. Therefore, staff numbers were small and the clubs commercial operations extremely limited:

"I was also referring to the way the clubs management is structured, in the sense we now know who does what and where" (Respondent D)

However, no reference was made to any specific effects in terms of skills or expertise. Respondent D suggested the club was now more organised, with the management team also larger in size than under domestic ownership. But whilst the structure has improved, there has been some breakdown in the relationship between the club and its supporters due to the commercialisation of the club:

“The arrival of Al-Fayed, or more accurately the arrival of his corporate brand management team, there’s been this automatic distancing between the fans and the treatment of fans as customers, which as I’ve indicated, I find absolutely horrific” (Respondent D)

The use of the term “corporate brand management team” implied a more business orientated outlook. This implied a tension between the sporting and non-sporting aspects of the club.

At Manchester City, the second foreign takeover by Sheikh Mansour enabled significant changes to be made to the club’s management. When taking the club over from Thaksin Shinawatra, a number of weaknesses were found in the clubs structure. Manchester City did not have a ‘functioning’ human resources department or a financial director. Additionally, other key roles were also absent from the administration of the club (Conn, 2012).

In order to rectify these weaknesses, the new ownership from Abu Dhabi invested in the commercial and operational aspects in order to improve performance. The lack of basic management or functional provisions before the change in ownership implied a failure to adequately treat Manchester City as a commercial entity. In the 2009/2010 period, Manchester City recruited 148 non-playing staff members to strengthen areas such as human resources (Manchester City Annual Report, 2009/2010).

At Manchester United, the Glazer family provided advantages in terms of commercial expertise and experience:

“if you spoke to David Gill he would say that they’ve benefitted from the American ownership. Not through direct investment but through the expertise and marketing, because their commercial revenue is now over £100 million, which is staggering (Respondent E)

By 2011, the Glazer family had invested £40m on the clubs marketing strategy. As part of this strategy, a sales force was expanded from just two members of staff. Prior to Glazer family ownership, the clubs brand was sold by just these two members of staff (Panja, 2011).

This suggested the ownership advantages held by the Glazer family were successfully transferred to Manchester United. Additionally, it also highlighted the weaknesses present in the Manchester United operations in domestic control. This has presented a potential model for other clubs to follow according to the Arsenal CEO Ivan Gazidis. Gazidis argues that any club should 'look and learn' at Manchester United, but he also acknowledged that due to differences which exist in club stature, not every club is in the position that Manchester United is in. As a result, there will be different commercial solutions for individual clubs (Panja, 2011).

The conditions for management spillovers to domestically owned firms, therefore, existed. However, the extent to which the strategy of Manchester United would be copied by another club was dependent on their size and performance, as well as the absorptive capacity.

Another insider suggested the changes at Manchester United would have occurred naturally:

"I think they would certainly come with that sort of global thinking, and yeah we are going to maximise. But whether it is happening a bit quicker and more extensively under the Glazers than it would have done under David Gill and British PLC ownership? Possibly, but not a lot, because United are such a powerful brand, the world is the next place isn't it? (Respondent A)

"Will an organisation that was mature and as good as Manchester United have learnt any new tricks from the Glazers? I Doubt it personally. (Respondent A)

This raised concerns about the exact nature of the ownership advantages provided by the Glazer family, and this is supported by the domestically owned questionnaires, which suggested the impact of FDI on off-field management to have been limited in nature.

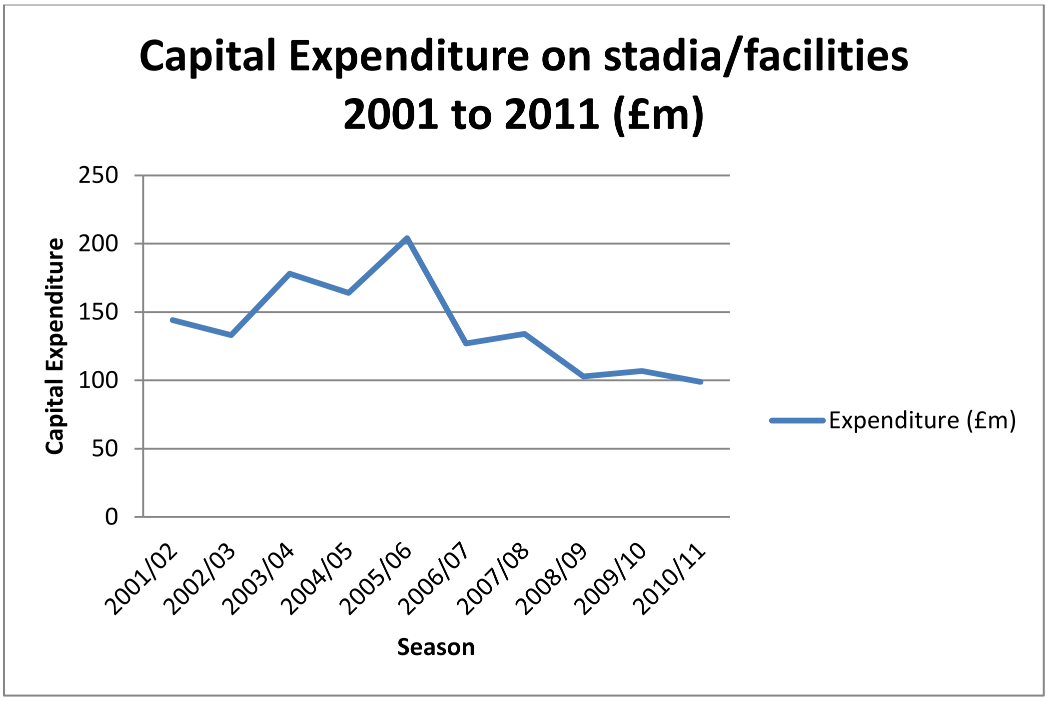
Aside from the consequences for off-field management, there are also effects surrounding on-field management. Foreign owned clubs have been willing to employ overseas managers, coaches, and technical directors to run their football operations. At Chelsea, all managerial appointments since 2003 have been overseas managers, whilst foreign managers have been employed by foreign owners at Manchester City, Fulham, West Ham, Blackburn, Southampton, Aston Villa, Q.P.R, Sunderland, Cardiff and Portsmouth. Additionally, at Arsenal and Liverpool foreign managers were inherited after an investment was made. Only at Manchester United, Birmingham, Hull and Reading has foreign ownership not coincided with a foreign manager (at some stage). The willingness to employ foreign managers has a spillover effect to other Premier League clubs. For instance, both Swansea and West Bromwich Albion have employed managers with experience of the Spanish La Liga. Therefore, the success achieved by some foreign owned clubs with a foreign manager is trying to be replicated by some domestically owned clubs. Indeed, this presents a consequence of FDI as the presence of foreign managers and coaches has continued to increase in the Premier League. Of course this could limit the opportunities for domestic coaches and managers, but some evidence suggests knowledge transfers have taken place and domestic coaches have learnt from foreign managers (i.e. Brendan Rodgers at Chelsea with Jose Mourinho).

7.4 Infrastructure Effects

Another direct effect of FDI entering the Premier League relates to developments in infrastructure of the acquired clubs in the form of stadia and training facilities.

In contrast to some of the other effects considered in this chapter, the amount of investment on stadia and facilities has declined in recent seasons. During the peak investment season of 2005/2006, £137m of the £204m expenditure related to a single club (Arsenal). At this time Arsenal were not owned by a foreign investor. However, some foreign owned clubs (i.e. Manchester City, Manchester United and Chelsea) invested into training facilities and stadium improvements. In 2010/2011, £44m of the £99m capital expenditure came from four foreign owned clubs (Deloitte, 2012) Likewise, in 2009/2010, four foreign owned clubs (Aston Villa, Manchester City, Manchester United and Liverpool), were responsible for £60.5m of the £107m expenditure (Deloitte, 2011). Without these investments, the level of capital expenditure in the Premier League would have been much reduced. The total capital expenditure on these facilities between 2001/2002 to 2010/2011 is shown in Figure 7.13

Figure 7.13: Capital Expenditure on stadia/facilities by Premier League Clubs 2001 to 2011



(Sources: Deloitte Annual Review of Football Finance, 2007, 2012)

The respondents from foreign owned clubs agreed that infrastructure investment was a benefit after the foreign takeover. From the case studies, at Fulham, Mohamed Al-Fayed enabled the club's ground, Craven Cottage, to be brought up to Premier League standard, and converted into an all-seater stadium. The total investment made into this development was £8m (Fulham FC, no date). The redevelopment of the ground was one of the major concerns held by club supporters, as Fulham were forced to ground share with Queens Park Rangers for two seasons in 2002/2003 and 2003/2004 (Fulham Supporters Trust, 2005). Another feature of Al-Fayed's investment was the acquisition of a permanent training ground in 1999 at Motspur Park (Fulham FC, no date).

At Manchester City, Thaksin Shinawatra directed little investment into the clubs infrastructure. Rather than invest in the 'fabric' of the club, money was directed towards player transfers with a large amount of money being spent on agents' fees. As a result, the clubs stadium remained the same, and the training ground was not improved (Conn, 2012).

In contrast, Sheikh Mansour ensured that investment was directed towards improving the club's stadium and training facilities (Conn, 2012). In 2009/2010, Manchester City invested £42m in improving these facilities (Deloitte, 2011). The most significant infrastructure project undertaken by the Abu Dhabi ownership of Manchester City was the Etihad Campus. This will be a training campus, which the club states will be the best facility of its kind in the world (Conn, 2012).

"Yeah, and to be fair to them [Manchester City]*, they've not just brought this* [Etihad Campus] *out of the bag recently because of the financial fair play. I went there probably 2008, and all the streets around the stadium, they'd all bought up the terraced housing. You could see they were going to redevelop the area right from the very day one (Respondent E)*

The investment at Manchester City may well have resulted in positive spillover effects for younger footballers, as the club expanded their youth system. However, this was targeted at attracting the 'world's best', enabling Manchester City to attract better younger players from across the world. For those young footballers from Manchester area, there may be no direct benefit from the Etihad Campus.

All three clubs have seen improvements in infrastructure, but in the case of Manchester City and Fulham, previous domestic ownership would have been unable to conduct such developments. At Manchester United, a club with a strong level of infrastructure prior to the clubs takeover, the effects on this element have been more incremental. In the case of Fulham, the clubs stadium and training ground facilities were in urgent need of modernisation, hence the investment was placed into these areas.

7.5. Regional Effects

Aside from the consequences which have both directly and indirectly affected clubs in the Premier League, further modest spillover effects were suggested in relation to regional effects. Some of these effects were directly related to the infrastructure investment undertaken by the foreign owned clubs. In particular, at Manchester City, significant benefits to the East Manchester region were present through the development of both the clubs and stadia facilities:

"I went there [Manchester City] *probably 2008, and all the streets around the stadium, they'd all bought up the terraced housing. You could see they were going to redevelop the area right from the very day one (Respondent E)*

"They're doing a lot of regeneration in East Manchester…but it's become a good thing that they are doing" (Respondent F)

The benefits to the East Manchester region were mostly employment orientated. This is longer-term, as Manchester City sought to increase the size of its facilities, but there were also short-term effects through the use of local labour and materials to build various aspects of the development (Manchester City, Annual Report 2009/2010).

Employment benefits were not solely related to the construction or development of club infrastructure. However, in some cases, the arrival of FDI resulted in a direct increase in the level of employment at the acquired club. These short and long-term employment effects were not universally applicable. One foreign owned club in their response to the questionnaire indicated that employment had increased, whilst another considered there had been little change. At Manchester City, the FDI enabled the club to increase the size of its non-playing staff, with an additional 106 employees recruited during the 2009/2010 period (Manchester City Annual Report, 2010). At other clubs, the changes in employment were specific to particular departments. For example, Manchester United increased employment in their commercial department (Panja, 2011). Therefore, from these observations, there does seem to have been some employment changes across a range of foreign owned clubs, though the actual increase in number employed might be variable and department specific. Moreover, there may be some instances were no new jobs were created, but where jobs were saved.

The extent of these employment spillovers was dependent on the balance between foreign and domestic staff. From the questionnaire, both responses from foreign owned clubs indicated no foreign senior managers had been brought into the respective clubs to run off-field matters. This would help to enhance the positive employment spillover effects, as the higher quality jobs with higher pay were taken by indigenous staff. Nonetheless, both clubs recruited foreign nationals to either manage the clubs first-team affairs or to be involved in senior football positions. Additionally, the greater reliance on foreign players after these takeovers did not present positive employment benefits to English footballers in the direct sense.

Another regional consequence of football FDI relates to club supporters. There were some negative consequences drawn out in terms of the relationship between supporters and the football club:

"It's clear as you say from comments by people such as David Gill [Manchester United CEO] *who have been very hostile and stuck two fingers up to their own fans, Briatore and Ecclestone* [QPR co-owners] *did exactly the same at QPR" (Respondent D)*

"Yeah there has, because, there's been a breakdown between the people that support it, the community, and the people that run it" (Respondent B)

7.6 Summary

FDI has been shown to have impacted Premier League clubs in both a direct and indirect manner. For the Premier League, it was observed the competitiveness of the league was negatively affected by the arrival of foreign capital. Partly, the strong on –field performance associated with foreign owned clubs was responsible for this. In contrast, the stature of the Premier League was improved through the arrival of foreign investment which brought with it the arrival of an increased number of prominent foreign players. On the sporting side, mixed effects were apparent in terms of productivity.

The acquired clubs saw increased revenues, increased expenditure (in relation to transfers and wages), as well as increased losses and debt (in some cases). For those clubs not acquired by a foreign investor, they too have faced higher costs as a result of FDI, which (in some cases) have caused increased losses and debts for these clubs. Therefore, a mixed picture was found in relation to the consequences of FDI here. For some clubs, the arrival of FDI has been extremely beneficial in terms of direct impacts on revenue, and the ability the club has to spend in the transfer market (i.e. Manchester City). However, the arrival of this investment has been negative for other clubs who have faced spillover effects in terms of higher wages and transfer fees.

Chapter 8: Conclusion and Contribution to Knowledge

This thesis has applied FDI theory and that of spillovers to the FDI activity which has taken place in the English Premier League. The first chapter provided some background to the topic area, as well as introducing the aims and objectives of the thesis. The second chapter provided the context behind English football, and the economic basis of the game's development in England. The third chapter introduced the literature surrounding FDI and identified the key concepts and theories surrounding both economic and non-economic motivations behind FDI. The fourth chapter identified the relevant sports economics literature, and highlighted the existing literature surrounding football club purchases. The methodological choices were explained in chapter five, with the data collection and analysis techniques both set out. The first of the results chapter, chapter six, addressed the motives behind FDI, whilst the seventh chapter analysed the consequences from FDI entering the Premier League. This final chapter will now consider these findings in relation to the debates which have existed in the FDI and sports economics literature.

8.1 Motives

This thesis has identified the complexity of the factors which have influenced FDI flows entering the Premier League. These include both economic and non-economic factors, as well as the influence of institutional factors. The standard approach to analysing all forms of FDI is dominated by economic theorising, and arguments that FDI is to be analysed in terms of a rational search for future profit (Bitzenis, 2003). However, profit and sport hold a rather uneasy relationship. We have seen that not a single foreign investor made explicit reference to seeking profits in their official statement after purchasing a club. Profit in English football has been a "taboo" subject virtually since the game's formation. This central tension was initially driven by the conflict between those who viewed football as an amateur sport, and those who supported professionalism. Whilst looking at modern football through such older constructs is not wholly appropriate today, there is still a tension between those who view football as a profit seeking investment, and those who view it as being not-for-profit. For instance, some club supporters would want any 'profit' to be reinvested in improving the club rather than go to shareholders, and as such the football club would be treated as a 'not for profit' venture.

Data on performance within the Premier League over the 2001 to 2011 period (in chapter seven) indicated that combined pre-tax losses have been a consistent outcome. The loss-making nature of English football was shown to be well established prior to the formation of the Premier League. Worse still, the literature on football has established the negative relationship between success on the field and profit and the close relationship between spending and performance. Despite this ostensibly different environment did some foreign investors (ex- ante) enter the Premier League to generate profits?

For some investors, particularly those from North America, the most influential motive may have been a desire to generate profits. For example, at Manchester United, the declared operating profits under the Glazer family's ownership have risen compared to the operating profits under PLC ownership. The pattern with other clubs is not as clear. However, profits can come in different forms. For some investors, the profit sought has been short-term, for others it has been a longer horizon, and in some cases profit can be considered as indirect (to other businesses). While some respondents raised questions about the rationality of seeking direct profits, another proposed the idea of some FDI being a "value play "with a foreign investor purchasing a club due to a perception that it was undervalued and then hoping to sell the club in the future at a profit. In terms of indirect profits, some respondents suggested the ownership of a club could benefit an investor's media interests (Stan Kroenke), or the club could be used to promote other businesses (Venky's). In these circumstances we have argued along with others (e.g. King

(1997)) that investors might be willing to cover losses at their football club as benefits were forthcoming to other parts of their business empire. In a slightly different way, the takeover of Manchester City by Sheikh Mansour was partly motived by a desire to promote Abu Dhabi.

But is this behaviour rational in light of the environment of the Premier League? Commentators like Fort & Quirk (2004), Fort (2000) and Moorhouse (1999) have all suggested that using the reported profit levels as a guide to determine investor motives is not sufficient. But even allowing for this, some respondents highlighted the difficulty in generating profits and the excessive costs involved in competing in the Premier League. Indeed, the potential also existed for differences between the ex-ante and ex-post objectives. Whilst profit may have been the motive ex-ante, the difficulty in generating profits could lead to investors posting different objectives ex-post.

If profit cannot be discounted as a motive for some investors, neither can it be considered as the single most important motive. As Zimbalist (2003) suggested over a decade ago there are much easier ways of generating profit than through sport, and this has been re-enforced in our the discussion in this thesis in chapters four and six.

The relationship of football FDI to the economic theories of FDI is somewhat different to the analysis of FDI within other industries. The same applies when seeking to apply one of the most well established theories of FDI, the 'OLI' paradigm to the FDI entering the Premier League. The attraction of the OLI paradigm and what Dunning (1976) called the 'eclectic approach' to FDI, derives from the difficulty of producing a theoretically rigorous economic explanation of FDI that can also be substantiated. FDI in this paradigm is explained in terms of a variety of variables seen in terms of ownership, location and internalisation.

When investigating the ownership advantages held by foreign investors, advantages in terms of financial resources, commercial expertise, and sport experience were noted. But in contrast to other forms of FDI, advantages surrounding property rights (i.e. Lundan, 2010) were not found to be highly influential in football FDI. The importance of financial resources is obvious: larger spending on player wages and transfers should lead to improved performance. However, some debate existed about the other advantages. Our respondents had mixed views on this and although our own analysis has identified some possible ownership advantages we too have struggled to show that they exist on a sufficient scale to explain FDI.

Insofar as the location tenet of the OLI paradigm is concerned, the most influential aspect concerns the revenue generated from television. The Premier League has generated over €1.3bn per season from television rights sales between 2010 and 2013. During the same period, Serie A was the second highest television right generator received around €900m per season. The Premier League has also been shown to have a large advantage over other European football leagues in relation to its market size. One of the insiders mentioned that over 2 billion people had access to the Premier League's television coverage, and its deals in the Far East have proved to be highly successful in enhancing the coverage of the league. This coverage also provides a range of non-economic motives to investors, as their image and profile can be promoted to a wider audience.

Traditionally, FDI has been motivated by elements such as market size, market growth, production costs, and the quality of infrastructure (Dunning & Lundan, 2008). In the case of football, the size of the Premier League makes it attractive. The market for the Premier League is not confined to England, and highlights that markets can be national and supra-national for football. However, the supra-national element of markets considers those outside of the EU such the Far East where the Premier League is extremely popular. This is in contrast to those such as

Fallon & Cook (2009) who note that growth prospects in other regional markets are less important in influencing FDI flows than domestic and local markets. Likewise, the potential growth of the league was framed in global terms by the insiders as well as observers such as Deloitte (2007). There were also other specific issues within the Premier League which enhanced its attractiveness. For instance, the insiders also suggested the Premier League was the most competitive league in Europe, and investors could have been attracted to the division for this reason.

These locational advantages focused on the Premier League, but there was a secondary level of locational factor involved in FDI entering the division. This concerned the choice of the clubs for takeover. This thesis has found some evidence to suggest that some foreign investors were particularly attracted by investing in a London-based club (i.e. Tony Fernandes at Q.P.R, Mohamed Al-Fayed at Fulham or Roman Abramovich at Chelsea). This aspect falls partly within an economic framework. Larger cities and catchments enable a football club to attract more supporters, which provides an income benefit. Similarly, ownership of a club in London as one of the "world's greatest cities" has obvious football related economic benefits. But this advantage should not be seen exclusively in direct footballing terms. In the case of Fulham, ownership was clearly related to other business interests of Mohamed Al-Fayed. Additionally, this pattern is somewhat similar to UK regional FDI, in that London and the South East account for around 50% of FDI inflows entering the UK (UK Trade & Investment, 2013).

Furthermore, ownership of a club in a major global city can just as easily be conceptualised through a non-economic narrative, where the owner benefits in other ways from the "big city profile". But is the choice of England more straightforward? The success of Roman Abramovich may have convinced some investors to enter the English football market. Whilst there was limited evidence for this in the thesis, Campos & Kinoshita (2002) have noted the possible herding mentality involved in FDI decisions. This suggests some possible connection with the mimetic behaviour of firms engaging in multinational activity. Foreign investors may have targeted certain cities or regions as other investors had already acquired football clubs in those areas.

The third strand of the OLI paradigm, internalisation was even more difficult to relate to football FDI. Issues surrounding transaction costs were not as prominent in the football context as other forms of FDI. In the context of football, a foreign investor cannot enter the market through exporting as can happen in other industries. Also, the loss of technology is less important in the football context. But have the football clubs been internalized into their other business interests held by the foreign investors? This question is hard to assess. The football club has often been treated as a standalone investment (as per King, 1997), rather than part of an investor's wider business operations.

There was some evidence which suggested that FDI entering the Premier League was driven by asset market and in some cases, resource seeking motivations. The acquisition of some football clubs was influenced by the brand, image or history of these clubs, and in football terms, this forms an important part of the football club as an 'asset'. In terms of market seeking motivations, the economic benefits, in terms of league size, club size and location were prominent in a number of takeovers. This fits with the theory of market seeking FDI noted by Fallon & Cook (2009). However, a smaller number of takeovers were influenced by resource seeking motivations. In the FDI literature, this is commonly linked to natural resources but in the context of football access to land was of importance. In particular, the possible use of land for housing (Fulham) or other development (Manchester City) was noted as possible motivations behind these investments.

The frustration with the narrow focus on markets and profits has led many economists in recent years to take institutional structures more seriously. This thesis has indicated that FDI in the Premier League has also been driven by some institutional elements. Institutions have been described as both economic and non-economic in nature. This thesis has found support for both of these aspects being important. In sporting terms, the non-economic institutional aspects referred to league structure and operation. FDI has mostly entered the Premier League from countries which have less developed footballing institutions. However, in contrast to the FDI literature, this was not viewed as an industry specific escape investment (e.g. Witt & Lewin, 2007, Dunning & Lundan, 2008). Although the football-related institutions were weaker in the majority of source countries, investors mostly retained a presence within their home country. Therefore, institutional quality and league development (in terms of football structures) has had some influence on the entrance of FDI into the Premier League, and this supported arguments from the wider FDI literature surrounding institutional quality (i.e. Benassy-Quere et al, 2007, Daude & Stein, 2007, and Pajunen, 2008).

Although the footballing institutions of England have been considered by some as being “strong”, this thesis has suggested that club regulation is, on balance, weak compared with leagues in other advanced nations. Strong regulation of football clubs was cited in Germany, where clubs are tightly controlled by the national association and league (Meier, 2008). In this context, clubs must also be partly owned by members (supporters), so it is not possible for an investor to take complete control at a club (Nauright & Ramfjord, 2010). The English context of regulation, was considered as weak due to the ease with which clubs could borrow money, and also the ease with which ownership could be transferred (Lago et al, 2006). In England, there are fewer restrictions placed on owners compared to other nations.

Both insiders and outsiders in the interview data highlighted various weaknesses in club regulation in the UK, despite the 'fit and proper persons test' which all owners must pass before any takeover of a club can be completed. Such a mechanism does not exist in other industries, hence in these terms the institutional structure of English football could appear both strong and weak depending on the view taken. What investors may want is to balance the general institutional strength of an advanced country, with a lightly regulated industry within it. Indeed, the established wisdom is that markets with excessive regulation are not attractive to foreign investors (Busse & Groizard, 2008). Still, there is a distinction between strongly regulated markets, and those which have excessive regulation. One of the most telling moments in the data collection was the unwillingness of one well-placed insider to openly discuss regulation, and whether it had influenced the entry of FDI into the Premier League   However, the reference of one outsider to tax and financial regulation suggested that in these terms, Premier League football may simply be a sub-set of the wider economic activity of the UK. Most industries in the UK are 'open for business', so why should the Premier League be any different? This argument also reinforces the idea that football clubs are businesses like any other. Finally, the ready availability of Premier League clubs due to stock market listings, financial problems, or the desire of owner's to sell was also shown to have influenced football FDI. Compared to other countries (like Germany and Spain) with membership-based ownership structures, the Premier League presented a quicker option to buy into a football club.

This thesis does not dispute that some FDI has been strongly influenced by the desire to satisfy economic motives. However, one of the central weaknesses in the FDI literature has been the ability to assess the non-economic motives of FDI. In this regard, football FDI attracted to the Premier League has been strongly influenced by a desire to satisfy non-economic motivations. These motives have occasionally been alluded to in the football literature (i.e. by Hamil & Walters, 2010, Sloane, 1971), but are not found to the same extent in the FDI literature.

Perhaps the most influential non-economic motive noted in the collected data was that of the 'trophy asset'. Essentially, the football club has become a form of trophy, with which foreign investors can use to enhance their own personal standing. When investment is treated as a trophy then profit is not an objective (at least in the short-term, Hamil & Walters, 2010). The search for football clubs also expresses a type of 'trophy hunting'. Our respondents also linked the purchase of a football to other forms of 'high status' goods like luxury cars and watches. In this sense, the football club is an ideal vehicle to display wealth, and can be considered as a form of conspicuous consumption (as per Veblen, 1899). Within the existing football literature, the use of the idea of a 'trophy asset' is somewhat limited, with only Hamil & Walters (2010) using this term but others, like Sloane (1971) have suggested prestige and status as potential motives behind club ownership. The emphasis on the trophy asset in this thesis adds another dimension to the FDI debate by suggesting that FDI entering a club can be viewed as a method of conspicuous consumption.

The idea of the trophy asset was not the only non-economic motive identified in the collected data. Profile, kudos, and publicity were also noted as possible non-economic influences behind FDI entering the Premier League. In addition, also influential in the non-economic factors, was the pursuit of sporting success. The sport's 'obsessed businessman benefactor' model for example, long predates the more recent commercialisation of football. Ironically, however, this commercialisation was supposed to have undermined this 'traditional' approach through which profit was essentially subsidised by profits made elsewhere. This does not seem to have happened. Some foreign investors have purchased a club due to a longstanding interest in football, but others have purchased a club due their need to satisfy a desire of owning a club. In some cases, it may also be the need to satisfy childhood desires. As a result, the idea of the 'sportsman owner' (Vrooman, 2007) who is more interested in non-economic gains remains important for our understanding. However, concrete evidence of this goal is ambiguous. Whilst, some owners (such as Roman Abramovich) seem to have a genuine love for football and regularly attend matches, others (like the Glazer family) seem more interested in economic aspects.

Finally, another important non-economic element which has influenced FDI entering the Premier League concerns political factors. This impacts in at least two-ways, firstly, through personal protection, and secondly through country rivalry. The first element could be related to the desire to escape from weak institutions, but more specifically, this study has shown the desire for some investors to protect themselves. Football clubs have also been shown to be effective promotional tools for nation states as well as individuals and business groups. New 'actors' in the global economy have sought ownership on this basis. In the case of Manchester City it has been shown the club was purchased partly in order for Abu Dhabi to promote itself to offset the impact of Dubai. This also implies that asset-seeking motives are important in influencing the FDI which has come from the emerging markets. Indeed, this reflected the wider pattern concerning outward FDI which has come from these nations.

This thesis then has shown that FDI entering the Premier League has been influenced by a range of different factors. Unlike most other forms of FDI, the investment is cannot always considered as being solely on economic terms. Due to the popularity of the Premier League across the world, ownership of a club in the division is highly desirable, as a number of these non-economic factors can be satisfied. With the rise in global awareness of the Premier League, greater status and kudos can be obtained from club ownership, compared to clubs from most other football leagues. Of these non-economic it is status, which is perhaps the most influential motive. The use of a football club as trophy asset presents a particular view of a foreign investor, and focusing on their status and reputation. Indeed, ownership of a football club can be viewed as a form of self-promotion.

Instead of simply seeking profits or wins, foreign investors have a range of motives, some economic and some non-economic which they hold. Therefore, rather than analysing foreign investors as being market seekers, or asset seekers, it is more effective to consider them as utility maximisers, or as seeking long-term global returns (as per Zimbalist, 2003). In-line with Sloane (1971), profit can be considered as one objective in this approach. However, this thesis has also indicated different forms of profit exist, so whilst investor may be seeking 'club' profit, it is not necessarily the prime focus. As a result, the club itself can be loss-making, but the investors other businesses benefit from football club ownership. In some cases, direct profit (both short and long term) was shown to be a motive influencing the FDI decision, but in the context of FDI and the Premier League, there was a variance as to which form of profit was being pursued by an investor.

8.2 Consequences of FDI

Given that the key motivations behind FDI have now been established, the second focus of the thesis considered an analysis of the consequences of FDI entering the Premier League. Since analysis of the motivation behind FDI is in part about the realisation of anticipated benefits, there is necessarily some overlap in the discussion of the consequences of FDI. But in this part of the thesis, the outcomes of football FDI were analysed more systematically in terms of the wider effects on the sporting side of football, football as a business, as well as regional effects. These consequences were considered both directly and indirectly. In comparison to motives, the consequences of FDI are considered in the ex-post sense rather than the ex-ante.

8.2.1 Direct Consequences

The direct consequences of FDI entering the Premier League refer to those aspects which have directly impacted upon those clubs acquired by foreign investors. This included aspects such as revenue, wages, transfer spending, profits, and debt.

At all three case clubs, revenues increased following the arrival of a foreign investor. The extent to which this was influenced by a foreign investor varied. For example, at Manchester United, the Glazer family were able to use their ownership advantages to secure a number of new commercial arrangements, whilst this was also the case with Sheikh Mansour at Manchester City. In contrast, following the takeover of Manchester City by Thaksin Shinawatra, the majority of the revenue increases were driven by the new television deal beginning in the summer of 2007. At Fulham, the foreign investment enabled the club to rise through the divisions; hence additional revenue was generated through promotions.

In order to achieve these greater revenues, it might be assumed that this FDI had brought with it improved management and commercial expertise. Despite the assumption that FDI brought improved knowledge and expertise, some of the respondents (mostly from domestically owned clubs) were not sure as to whether this had been a benefit of FDI. To some this has been an evolution of the business strategy in the Premier League itself. However, from the case studies, it is clear that the management teams outside of the field of play have been dramatically changed in order to improve club financial performance.

Along with revenues, FDI was shown to have had an effect on the level of wage spending in the Premier League. This consequence was particularly important at club level, as FDI was shown to have driven wages up at all of the case clubs. This, along with evidence of wage spending across different clubs in the Premier League, indicates that foreign owned clubs spend more on wages than domestically owned clubs. In the wider FDI literature, Girma et al (2001), Lipsey & Sjoholm (2005), and Driffield & Girma (2003) note that foreign firms pay higher wages across a variety of industries. By offering higher wages than domestically owned clubs, foreign owned clubs are able to reduce the level of "good employee mobility" and in football terms attract and retain the better players. This will then deprive other clubs of better assets. However, foreign ownership is not the only factor which influences the level of wage spending. The size of the club and the access to a large supporter base also influences spending power. Additionally, increases in television revenue were shown to have an effect on the level of wage spending conducted at the club level. Despite these issues, FDI was shown to have driven wage increases across those clubs under foreign control. In some cases (like Manchester City) wage increases were substantial, but at some clubs, who were already large wage spenders (like Manchester United), the increases were less substantial.

Investment in player transfers was another factor which influenced performance, and was also influenced by the arrival of FDI into the Premier League. Unlike wages, the notion of a transfer fee being paid to secure the service of an employee is not covered within the standard FDI literature. Like wages, the entrance of FDI into the Premier League has increased transfer costs for all clubs across the division. For foreign owned clubs, the data from the three case clubs indicated transfer spending was higher after a foreign takeover was completed. As the clubs under foreign ownership began to pay higher transfer fees, those clubs still in domestic control were faced with a more inflated transfer market. In order to try and compete, domestically owned clubs also increased their transfer spending.

What effect has FDI had on profits? In contrast to revenues, FDI was shown to have a negative effect on profits at both the club and the league. At the club level, all three case study clubs recorded higher pre-tax losses under foreign ownership than those recorded in domestic control. At Manchester United, the most profitable club in the Premier League was transformed into a loss-making entity following the takeover by the Glazer family, with the associated acquisition debt costs. This was despite a substantial rise in declared operating profits due to increases in revenue. At Manchester City and Fulham, the increased losses were driven by foreign owners increasing spending on player wages and transfers. In both cases, similar operating profits were not consistently achieved. So whilst the causes are different, the outcome of FDI is similar. Furthermore, those clubs which have generated the largest losses are under foreign control. This supports those who argue that foreign owned clubs generate lower profits than those operating under different ownership structures.

Not only has FDI had a negative effect on profits, but, the entrance of FDI into the Premier League has led to an increase in debt, at both the club and the league level. From the case studies, all three clubs were shown to have increased levels of debt following a foreign takeover. Like profits though, the causes of the increases in debt were different. At Manchester United, the cause of the debt increase was the takeover method used by the Glazer family. At Fulham and Manchester City, the debt was driven by owners injecting finance as a loan in order to cover financial losses.

8.2.2 Indirect Consequences

The second group of effects from FDI entering the Premier League concerns indirect effects. These effects are the wider consequences of FDI which have affected the league, other clubs, and in some cases local regions.

When considering revenues, at the league level, the most important source of revenue has been from television. In 2006, this revenue stream was influenced by an EU ruling which ended the Sky monopoly of live rights. As a result, the market for television rights became more competitive as other providers were encouraged to bid for the live matches. This inflated the value of television rights contracts, and had a greater impact than the arrival of FDI into the Premier League. However, the arrival of FDI also encouraged television companies to bid for Premier League rights due to the quality and interest in foreign players and the competition. Globally, evidence was found to suggest the Premier League's 'cosmopolitan' approach to ownership (as well as players) was an important factor in influencing the demand for overseas television rights. Therefore, FDI was more influential in securing revenues from global television rights sales than those from domestic rights. Again, this reflects the importance of investment in attracting demand for the Premier League. This raises issues about causality. In considering the motives of FDI, the importance of television revenues in attracting foreign investors has been stated, but this thesis also highlights the importance of foreign investors in attracting television companies, particularly at the global level. Although revenues have been influenced, competition between broadcasters in the domestic market, the Premier League needs to be an attractive product in the first instance in order to attract broadcasters.

In terms of the business acumen and other skills brought into clubs by foreign investors, the potential for spillover effects existed. The CEO of Arsenal, Ivan Gazidis suggested that other clubs could learn from the operation of Manchester United. However, this thesis did not find a substantial body evidence to suggest that domestically owned Premier League clubs are copying foreign owned rivals. Such demonstration effects are, however, common across other industry forms (Blomstrom & Kokko, 1996). This thesis cannot completely reject the notion of demonstration effects in football, but club size and position may also be a factor which determines whether clubs can benefit Indeed, it could be argued that smaller clubs which have smaller resources cannot generate the same benefits as those clubs which are larger or have greater resources. Perhaps, this can be considered as a footballing form of absorptive capacity through organisational size and form.

In terms of wage spillovers, there were some indirect effects for domestically owned clubs. The competitive labour market for players in the Premier League has forced clubs to invest significant amounts of money into player wages. If a club seeks to restrict wage spending it will be faced with poorer player choice and performance. The presence of wage spillovers was as a result of the arrival of a foreign investor into a club which is considered to be a direct rival, and there is a further effect from the 'mega' takeovers at clubs such as Chelsea and Manchester City. However, for a domestically owned club in the middle of the Premier League table, the most influential impact came from the acquisition of a rival club in a similar position. Despite this, the 'mega' takeovers did have some "flow through" effect on wages in the rest of the division.

There were also further negative indirect consequences from FDI on wages and transfers. Some domestically owned clubs are unable to compete with foreign owned clubs who can offer higher wages and transfer fees. As a result, domestically owned clubs struggled to compete with foreign owned rivals. The qualitative data also suggested a recognition that for some domestically owned clubs, it had become more difficult to attract "good" players as foreign owned rivals offered higher wages. In some cases, foreign owned clubs may have "stockpiled" players in order to stop other clubs signing them. This reinforced the low level of success gained by domestically owned clubs in comparison to foreign owned clubs which have dominated the top four places in the Premier League from 2005/2006 onwards.

As well as profits being lower for foreign owned clubs, the collected data also indicated that profits were generally lower for clubs in domestic ownership. However, the scale of losses at domestically owned clubs is relatively lower compared to those under foreign ownership. Still the increased scale of these losses presented a potential challenge for domestic investors who do not have access to the same level of capital as foreign investors. An effect of these higher losses for domestically owned clubs was an increase in debt. For instance, both Bolton and Wigan had large increases in debt over the 2005/2006 to 2010/2011 period. This increase was influenced by higher costs leading to higher losses, which then had to be covered by owners. Such behaviour was noted within the primary data, as Respondent B suggested domestic owners had to move from being "normal" benefactors to generous benefactors due to the arrival of FDI.

For some clubs, the arrival of foreign ownership presented a positive consequence. In the literature, Lago et al (2006) argued there were those which were demanders of talent (like the foreign owned clubs), and other clubs which acted as suppliers of talent. As transfer fees increased, those clubs who were suppliers of talent were rewarded by generating a higher income from selling players, and sometimes holding out for a higher price for players. The limitation of this positive consequence is that a significant proportion of the transfer spending was directed abroad, hence this consequence could not be internalised within England or the Premier League.

When addressing competitive balance, the results from this thesis presented a mixed picture. The primary qualitative data indicated that FDI had a mostly positive effect on the competitiveness of the Premier League. This argument finds support in the wider FDI literature which has associated FDI with an improvement in competitiveness. However, this more positive anecdotal evidence needs to be contrasted with the actual performance data which suggested the competitive balance of the Premier League had declined since the arrival of FDI. This was confirmed using various indexes (including Herfindahl, C5 Ratio, and Lorenz Curve). Whilst, there was some improvement in the 2010/2011 season, this did not fit the general pattern of widening imbalances between clubs in the Premier League. This decline in competitive balance across the Premier League has been identified by Michie & Oughton (2004), Gossens (2006) and Pawlowski et al (2010). However, these studies did not make any reference to FDI. Only Ramchandani (2012) has suggested that FDI has negatively impacted the competitive balance of the Premier League so this thesis adds to the evidence that this issue needs to be taken more seriously.

This also poses the question of why there is such a contrast between views expressed in the game and the evidence of the secondary data. Those who argued that the competitiveness of the Premier League was positively affected by FDI were insiders. As they were involved at Premier League clubs, they may have felt it necessary to be positive about external investment. Those involved in the Premier League have repeatedly used the phrase “the best league in the world”. Admitting that the league was less competitive would not project a suitable image of the Premier League. Despite the overall reduction in competitive balance, the entrance of FDI also provided an exogenous shock to the competitive order, as there was the entry of a few new teams at the top of the Premier League. Therefore, Barros & Leach (2006) can only be partially supported. The number of ‘new teams’ competing at the top of the Premier League is extremely limited, and these ‘new teams’ required substantial investment in order to reach this position (i.e. Manchester City). So whilst some positive remarks were made about the competitiveness of the division, it is now virtually impossible for any club to break into the ‘elite’ group without a wealthy foreign benefactor.

On a more positive note, FDI was shown to have improved the stature of the Premier League. It is highly possible that the enhancement of stature brought by foreign ownership has created a desire for other foreign investors to enter the Premier League. Economically, this was shown to provide a positive consequence as revenues from global television deals have continued to increase. Another positive benefit has been that more high profile foreign players have been attracted to the Premier League through the possibility of securing higher wages, and playing for successful clubs. In the sports economics literature, Lucifora & Simmons (2003) noted ‘superstar effects’ or positive spillovers, driven by the arrival of highly performing players who attract additional spectators and interest. As one of the respondents noted foreign investment can create a virtuous circle for the Premier League, with the high profile players improving the ‘quality’ of the Premier League, and further attracting even more high profile foreign players. This can not only benefit foreign owned clubs, but in some cases domestically owned clubs have benefited from attracting high profile foreign players as well. The difficulty for domestically owned clubs is when they face competition to sign a player when foreign owned rivals have greater resources.

The literature on FDI has also been shown to indicate a positive effect on product quality (Dunning, 1994) But the nature of football itself leads to a debate about what is meant by product quality. The quality of a match cannot be guaranteed, it is not like a manufactured product that will undergo a quality management process before it is released to the market. According to most of the respondents, foreign ownership improved the standard of matches in the Premier League. This was not the unanimous view, as some of the outsiders questioned the improvements in standard. The arrival of “better” foreign players (often replacing “weaker” domestic players) should theoretically improve the quality of matches in the Premier League. The negative consequence of this particular trend has been for the number of English qualified players in the Premier League to be reduced dramatically over the last decade. Not only have “weaker” domestic players been forced into lower divisions, but it has become more difficult for young English players to ‘break-into’ Premier League first-team squads. Such a situation presents a challenge for the English national team as the number of players available to the coach is extremely restricted. Indeed, it may become difficult to replace the current generation of players.

Not only has there been an effect on players, but there has also been a consequence for coaches and managers. Since the arrival of FDI, it has been more common to see foreign coaches and managers in the Premier League. Not only have foreign owned clubs been more open to employing foreign managers, but domestically owned clubs have also adopted this strategy (i.e. Swansea City). This of course can lead to the implementation of new management and training methods, which can then be copied elsewhere by other coaches presenting the possibility of positive spillover effects. In contrast, the arrival of foreign coaches and managers can also restrict the opportunities for domestic coaches and managers, which presents a potential negative consequence of FDI.

The improvement in quality within the Premier League also has further spillovers for leagues across Europe. Whilst changing the distribution of playing talent across leagues, major clubs, such as Bayern Munich and Real Madrid reacted to the English 'dominance' of the Champions League between 2005 and 2009 by embarking on their own team strengthening strategies. This of course has changed the balance of power within the Champions League, and ensured that the major European clubs have not been left behind by the top English clubs. Of course for smaller clubs in the Champions League (or large clubs from small nations like Celtic in Scotland) competing in Europe has become more difficult due to this 'arms race' between the elite European clubs.

The final league wide consequence under investigation referred to sporting 'productivity'. For domestically owned clubs, it has been established that the arrival of FDI presented challenges, as foreign owned clubs had access to larger financial resources. In order to compete with these clubs, domestically owned clubs need to use their resources more effectively (as shown in other industries by Blomstrom & Kokko, 1998). If they do not use their resources more effectively, there is the threat of being forced from the market (Javorick, 2004). In the football context this means relegation.

At the club level, this thesis has found there is a mixed picture for domestically owned clubs. Unquestionably, some domestically owned clubs were negatively affected by the arrival of FDI. Charlton, for example, had been a club displaying strong on-field productivity (Haas, 2003) prior to the arrival of FDI in the Premier League. Unable to compete with the foreign owned clubs financially, Charlton were relegated in 2007. Another example was Bolton Wanderers. In the 2005/2006 data, Bolton were shown to have performed particularly well in relation to their wage spending. However, in later seasons, the level of on-field productivity had declined. Without the resources available to enhance their performance, Bolton was essentially ‘crowded out’ by foreign clubs. For example, prior to FDI entering clubs such as that at Sunderland, Manchester City and Aston Villa, Bolton had several seasons where they had outperformed them despite resource disadvantages. Under foreign control, the available resources for these clubs were now substantial, and Bolton could no longer compete with these clubs over a season.

In contrast, other domestically owned clubs were shown to have made a more effective use of their resources (like Everton and Tottenham). As a result, these two clubs were able to display a strong level of on-field productivity. One respondent noted that on-field productivity could be improved through improved medical provision. This would in turn benefit player fitness levels, and provides an advantage on the field of play. When considering the acquired clubs, again the effects were mixed. Some clubs have increased their on-field productivity, others were already considered as being productive before and FDI, whilst some have seen productivity declines. In the case of Chelsea, although the club is more successful than under domestic ownership, it was not considered as having higher productivity. Despite having the largest budget for the 2002/2003 to 2010/2011 period, Chelsea has had seasons where they have finished adrift of the league champions (like 2008/2009 and 2010/2011). As such, the league finishes are strong, but with the available resource base the performance should and could have been stronger.

Within football, the spread of benefits and costs brought by FDI has not only been at the club level (i.e. such as wages and profits), but has also occurred in some cases at the regional level. This thesis has found some evidence to suggest that FDI entering the Premier League has positively, but modestly, benefitted employment in the local region. This has occurred in two ways. Firstly, additional jobs have been created, and secondly, existing jobs have been protected. The importance of employment benefits being brought by FDI is well established in the literature (i.e. Girma & Wakelin, 2009, Haskel et al, 2007). In terms of job creation, evidence from the case studies suggested some job growth was apparent. For instance, at Manchester United, jobs were created in the clubs commercial department, whilst Manchester City strengthened a variety of non-footballing divisions after the takeover by Sheikh Mansour. Furthermore, at Fulham, the club's change in stature following the takeover by Mohamed Al-Fayed has provided increased employment. The exact effect on the local region is difficult to judge, as in some cases these jobs have gone to non-locals. Indeed, the employment of nationals from Abu Dhabi in prominent positions at Manchester City highlighted that some of the high value added jobs were not given to local workers.

In one case, clear regional benefits were prominent. At Manchester City, the development of the clubs infrastructure was completed through using mostly local workers and local materials. This created a positive consequence for sectors outside of football (i.e. construction), so presenting evidence of inter-sectoral spillovers. Furthermore, the planned Etihad Campus will enable further positive consequences through the redevelopment of the East Manchester region which has been heavily affected by de-industrialization (Conn, 2012). But, the case of Manchester City is unique, as the scale of the investment into the Etihad Campus is such that for other investors it would be highly difficult to replicate (due to the scale of the investment or land availability).

In terms of regional spillovers existing between local clubs there was no evidence to suggest that West Bromwich Albion, for instance, were able to directly benefit from the arrival of Randy Lerner at Aston Villa. The FDI arguments suggesting strong regional spillovers were generated by firms in the same sector are not wholly relevant to the context of football, although clearly those clubs not in foreign hands would not wish to fall behind those who are.

A final consequence of FDI concerned club supporters. From the case studies, differing pictures emerge. At Manchester United, the takeover by the Glazer family caused various protests and complaints from supporters. At Fulham whilst the change in ownership was welcomed, concerns were raised over the running of the club, and the attitude towards supporters. In contrast, at Manchester City, the dissent concerning foreign ownership was much less noticeable. Although some concerns were raised about Thaksin Shinawatra and his background, Manchester City fans welcomed the investment as it enabled them to rebuild what had been a depleted playing squad. Additionally, the success achieved by Manchester United is a factor could also have been a factor as to why resistance to the foreign investment was less evident at Manchester City.

8.3 Findings

Having discussed the main findings from the thesis, the next part of this chapter will briefly summarise these findings in relation to the research questions of the thesis. The first research question dealt with the motives of the thesis, and has found from the primary data that there are a range of motives which have influenced football FDI. In contrast to other forms of FDI, some of the most influential motives behind football FDI have been non-economic factors. In particular, this included aspects such as status, prestige, profile, interest in football, and political motives. Indeed, it is argued that the football club can be viewed as a form of 'trophy'. Hence, a Premier League club can be viewed as a 'trophy asset' which is used to display the wealth of the owner in a similar manner to the notion of the positional good. Indeed, football clubs can be purchased as a form of conspicuous consumption. These arguments were not widely reflected in the FDI literature which has focused on traditional economic motives.

Football has been found to be an industry where profits are uncommon, but this has not stopped some investors from pursuing the purchase of a football club due to other economic influences. The growth of revenues in the Premier League has been particularly attractive to some investors (mostly those from North America). Indeed, these investors have entered the Premier League in the hope of making profits, whilst some of the respondents felt that these investors have targeted Premier League clubs due to a feeling that they were undervalued. However, the difficulty in obtaining profits has led to a difference in some cases in the ex-ante and ex-post objectives. Some respondents also argued that the regulatory framework of English football and wider financial regulation were influential. For some investors it was apparent that they wanted to make a quick purchase which was possible due to the Premier League's weak regulatory framework, but they also wanted access to some of the institutional advantages offered by the UK.

The thesis has also identified a range of different consequences which have arisen from the arrival of FDI into the Premier League. These are broadly grouped into two areas which are reflected in the second and third research questions. Firstly, there are impacts which have directly affected the clubs acquired by foreign investors, and secondly, there have been indirect effects to other clubs and the Premier League. The second research question dealt with those impacts which directly affected the acquired clubs. The direct effects found from the data included impacts on wages, transfer costs, revenues, debt, and profits. Through using three case clubs, wage spending, transfer spending, revenues were all higher under foreign ownership, but profits were lower. Furthermore, debt was also shown to be higher due to the decline in profits. However, on the field of play, foreign ownership was shown to have been mostly positive for the three case clubs. The increases in spending were particularly beneficial in this aspect.

In relation to the third research question, the arrival of FDI has also had indirect impacts to other clubs and the Premier League. As performance and spending are closely association, clubs not acquired by foreign investors have had to increase their own spending in order to try and remain competitive. As a result of this extra spending, domestically owned clubs have also failed to record consistent profits and this has caused increases in debt. There is the presence of wage spillovers which is not always apparent in other industries which have received injections of FDI. Furthermore, FDI was shown to have widened the gap between clubs in the Premier League, as the competitive balance of the division has declined since the entrance of FDI. This is despite arguments from those insiders involved in the Premier League who suggested that FDI had been beneficial in this respect. There were mixed consequences in terms of productivity, with some domestically owned clubs shown to have recorded productivity declines after the arrival of FDI. Finally, direct investment in club infrastructure was shown to have created wider benefits for local regions (in particular East Manchester through the investment into Manchester City). This wider benefit related to wages and employment, but such a feature did not occur in every takeover.

8.4 Contribution

Using a multi-method approach, this study has added to the existing body of research by providing a detailed analysis of both the motives and the consequences of FDI entering the Premier League. This thesis has used methods which are not commonly used in the sports economics and FDI literature, as both questionnaires and interview data was used to supplement more standard secondary data. Through this process, the most crucial motives and consequences have been identified, and this helps to address a current gap in the knowledge base.

In the introductory chapter, it was suggested that foreign owners of English football clubs have often failed to effectively communicate their motives and objectives surrounding changes in club ownership. This raised issues surrounding the ex-ante and ex-post objectives held by foreign owners. The lack of clarity is compounded in much of the academic literature. This thesis argues that there are serious limitations in the economic approach to football, and perhaps, by implication, sporting FDI more generally. It has been argued that the analysis of such FDI needs to take wider motives (i.e. non-economic) more seriously and not least the desire to use FDI to obtain trophy assets. More widely, this thesis raises concerns about the sector sensitivity of FDI and spillover theory. As FDI theory cannot be wholly applied to the football context, this does raise arguments about FDI theory being sensitive to activities in particular sectors.

A major contribution of this thesis is to apply the FDI literature to the specific context of English football. In particular, this involved considering theories such as the OLI paradigm, resource-based view, and institutional theory to the context of FDI in English football. This study has found these theories can only partly explain FDI entering the Premier League. For instance, in the OLI framework, the importance of internalisation was less evident than in other industries. However, similarities in terms of ownership and locational advantages did exist. Likewise, when considering the motives of FDI, efficiency seeking was not shown to have been a factor which influenced football FDI, but the desire to access resources, markets, and strategic assets were of more importance (particularly the final two factors).

The theories and motives of FDI considered in main stream business literature are mostly economic. If the desire of an investor is to access markets, resources, efficiencies, or assets, these aspects will ultimately benefit profits. Hence, profit is considered to be the ultimate objective for the FDI decision (Bitzenis, 2003). As this economic narrative underpins most FDI theories, the literature has largely ignored non-economic factors which may well have influenced FDI decisions. However, the findings from this study have suggested that non-economic factors are highly important in influencing football FDI flows. This raises concerns not only for football FDI but for FDI more generally.

Current FDI theory does not take sufficiently into consideration the non-economic aspects of multinational firm activity. As the majority of studies do not reflect non-economic motives in their evaluation of FDI, this thesis has contributed to the discussion of other factors which can influence football FDI. These include some aspects of institutional theory, conspicuous consumption, positional goods, political factors, the 'trophy asset' and other elements concerning prestige and profile. Some of these elements have been discussed in the wider literature concerning purchasing decisions, but they have not been wholly considered in relation to FDI. By relating these constructs to the FDI process, this thesis has extended the current FDI literature, and makes an important contribution. Whilst it has been assumed by Bitzenis (2003) and others that FDI is an economic process, the importance of non-economic factors in football suggests that this isn't true of all industries. With non-economic arguments towards FDI decisions largely ignored in the literature, the use of these non-economic constructs helps to evaluate FDI from a different direction to the conventional literature.

In addition to the motives of FDI, this thesis has also attempted to link the consequences of FDI to the context of the Premier League. Again, this thesis has shown conventional FDI theory to be only partly applicable to football, and as a result of there has been an alternative method proposed for the investigation of productivity. The measurement of productivity is based upon output per person or output per hour. In footballing terms, this thesis has shown productivity to be measured in a different way through points (output) per cost (related to wages). This in itself was based upon the link between spending and performance. In the sports economics literature, there has been a range of approaches used to analyse productivity (i.e. such as those by Haas, 2003 and Barros & Leach, 2006), but the use of points and wages focuses on the on-field aspect, rather than off-field concerns.

Additionally, this thesis has also addressed the need noted by Ramchandani (2012) to assess the impact of FDI on the competitive balance of the Premier League. The findings on this aspect were mixed, but the secondary data did reinforce the idea that competitive balance in the Premier League had declined due to the entrance of FDI. Additionally, this thesis made a contribution concerning other spillovers effects (i.e. regional effects), and how these are applied to football. Moreover, the effects of FDI entering the Premier League have previously not been investigated through spillover theory.

These arguments raise a wider point about the suitability of FDI theory for some instances. It may well be that FDI theory cannot be applied to all industries due to differences in their structure and nature. Indeed, FDI is possibly a unique process which is highly industry specific, limiting the effectiveness of general FDI theories. In football, the differing attitudes and success in gaining profits presented a different context to other industries, and restricted the ability of FDI theory to be applied to football. This could well be the case in other industries where non-economic objectives are important (i.e. some parts of the newspaper industry).

8.5 Limitations

Although this work has contributed to understanding the causes and impacts of FDI in the Premier League, it is also necessary to recognise some limitations present in the work undertaken. The study is based on the analysis of a single league, and the consideration of other leagues (such as the Spanish Primera Division or the Italian Serie A) has not been undertaken. The use of a wider range of leagues could improve the generalizability of the study, as different contexts will be under investigation, and not just those relating to the Premier League. More recently, FDI flows have begun to enter other European leagues, and whilst the number of clubs foreign owned outside of England is still limited, some high profile clubs like Paris Saint-Germain and AS Monaco are now under foreign control, indicating the possibility of further mimetic behaviour. This broadening pattern of FDI is critical, as it is likely to have a substantial effect on European football and in particular the demand for players and the results in European competitions. For future research, a cross-country study between the top divisions of European football would enhance the understanding of these issues, and whether there are any differences in motives.

Also this study did not investigate all takeovers of clubs in England, particularly those outside of the Premier League. One of the developing trends in English football club ownership has been to observe a greater volume of FDI entering those clubs outside of the Premier League. FDI into Cardiff City, Leicester City, Nottingham Forest, Hull City, Watford, Sheffield Wednesday, and Leeds United has occurred in the last three seasons. Nor has there been a comparison between

English football and Scottish football. Perhaps an area for future research concerns those investors who have interests in clubs across Europe (i.e. Pozzo family with Udinese, Granada, and Watford). The motives behind this FDI could well be different to other football FDI, and if this trend continues it will need to be added into the investigation of football FDI.

A second limitation arises from the sample size involved in the research. The study focused on just the Premier League where only twenty clubs compete in the league at any one time. This sample is reduced further by FDI only occurring in around half of the clubs in the league. In addition, FDI can be expected to have dynamics effects, and a longitudinal study, rather than a cross-sectional one would be beneficial with regard to the qualitative analysis. This would be beneficial due to the small sample size, and the more limited data available.

The research also faced a number of problems and not least that of access to football elites. This study uses primary data from the supporters' movement and senior club officials, but despite several attempts, it was not possible to arrange an interview with a regulator. Access to a senior official from the Premier League or the FA would have provided a further perspective and added to the richness of the study. In particular, this would have been beneficial when considering the regulatory aspect. As the research focused on the Premier League there was no approach made to the Football League. However, the regulations surrounding ownership and the fit and proper persons test differ slightly between the two organisations. These differences could be explored in further research. Alongside this, the perspective of a supra-national governing body could also have been considered. The stance of the current UEFA President Michel Platini towards FDI has been highly negative (Kelly et al, 2012). Although this study has accessed members of the supporter movement, it did not access supporters in the wider sense.

Similarly, this study has been unable to gain access to a foreign owner of a Premier League club. Additionally, there was no contacting of an investor prior to a club takeover. Such access would have been difficult due to issues surrounding privacy, but would have added another perspective to the study. It should also be noted that the majority of studies in the topic area do not make use of interview data from club owners due to access difficulties. The problem is greater for foreign investors who, in a number of cases (such as the Glazer family, Sheikh Mansour, Randy Lerner, and members of the Fenway Sports Group) spend very little or no time at their particular club. In some cases these owners have been reluctant to make themselves directly available for any form of interview (but use club media). This has added to the secrecy surrounding some of these investors, but it also shows why this thesis is an important beginning in an area whose significance will grow in the future.

8.6 Areas for Future Research

The nature of FDI flows into football is changing, with foreign ownership now becoming more common in football leagues other than the Premier League. Nearly, 50% of clubs in the second tier of English football (Championship) are now either fully or partly controlled by a foreign investor. Furthermore, foreign ownership is now becoming more common in the top divisions of French, Italian, and Spanish football. However, this thesis has not investigated the FDI in these divisions. So are the motives behind these FDI decisions similar to those found in this study? Are the consequences caused by the entrance of FDI into these leagues similar?

With the study having established the importance of non-economic objectives in the purchase of Premier League clubs, another area for future research is to apply these constructs to FDI decisions which have taken place in other sectors. For instance, do issues surrounding theories like conspicuous consumption apply to sectors like banking? With FDI investigated through a narrow economic prism, the application of the non-economic concepts to FDI decisions in sectors other than football, will allow FDI decisions to be more widely evaluated.

9. References

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Appendix One: Foreign Owned Questionnaire

Foreign Investment and Club X

Guidance: The following questionnaire is based on the investment into Club X from Investor A. Please follow the instructions as given. The majority of questions are based on a ranking system. Please circle or tick the appropriate boxes. The questionnaire should take you no longer than ten minutes to complete. Thank you for your assistance.

1. Please rate the strength of the reason as to why you think the investment was made into football.

(5= Very Strong, 4= Strong, 3= Average, 2= Weak, 1= Very Weak

Club Prestige	5	4	3	2	1
Passion for club	5	4	3	2	1
Profit	5	4	3	2	1
Sporting Challange	5	4	3	2	1
Onfield Success	5	4	3	2	1

2. To the best of your knowledge did the investor consider investment into football clubs in other countries?

(3=Yes, 2= No, 1= Not Sure)

3	2	1

3. Please rate the strength of the factors that you think may have influenced the choice of England as the location of the investment

(5= Very Strong, 4= Strong, 3= Average, 2= Weak, 1= Very Weak)

Facilities	5	4	3	2	1
Club Availability	5	4	3	2	1
Revenue Generation	5	4	3	2	1
History	5	4	3	2	1
Global Appeal	5	4	3	2	1

4. Did the regulatory environment of English football influence the country choice?

(3=Agree, 2= No, 1= Not sure)

3	2	1

5. Do you think that the investment was influenced by the size of the football market in England?

(3=Agree, 2= No, 1= Not sure)

3	2	1

6. How would you define the investment?

Partial | Hostile Takeover | Full Buyout

7. What is the current shareholding of the major investor at the club?

☐ 0-24% ☐ 25-49% ☐ 50-74% ☐ 75-100%

8. Please rate the strength of the factors that you think may have influenced the choice of club for investment

(5= Very Strong, 4= Strong, 3= Average, 2=Weak, 1= Very Weak)

Location	5	4	3	2	1
Club Availability	5	4	3	2	1
History	5	4	3	2	1
Fan Base	5	4	3	2	1
Growth Potential	5	4	3	2	1

9. To what extent do you think that the league position of the club influenced the investment?

(5= Very Strong influence, 4= Strong influence, 3= Average,, 2= Weak influence, 1= Very Weak influence)

5	4	3	2	1

10. What attractions in terms of existing capabilities do you feel your club had?

(5= Very Strong, 4= Strong, 3= Average, 2= Weak, 1= Very Weak)

Playing Talent	5	4	3	2	1
Off-field Skills	5	4	3	2	1
Coaching	5	4	3	2	1
Youth Academy	5	4	3	2	1
Infrastructure	5	4	3	2	1

11. To the best of your knowledge were other English clubs that were targeted for investment?

(3= Yes, 2= No, 1= Not sure)

3	2	1

12. To the best of your knowledge are you aware if any previous foreign investment into English football influenced the choice of club?

(3= Yes, 2= No, 1= Not sure)

3	2	1

13. Please rate what advantages you feel have been created through the investment?

(5=Very Significant, 4= Significant, 3= Average, 2= Some significance, 1= Insignificant)

Improved Financial Performance	5	4	3	2	1
Improved Image	5	4	3	2	1
Improved On field play	5	4	3	2	1
Improved Off-field Management	5	4	3	2	1
Improved Infrastructure	5	4	3	2	1

14. Do you think that foreign investment into English football has significantly affected other clubs in the Premier League that have not had such investment?

(5= Strongly Agree, 4 = Agree, 3=Unsure, 2=Disagree, 1=Strongly Disagree)

5	4	3	2	1

15. Please rate each of the factors listed below in order of importance as to what you feel the major effects of foreign investment into English football have been?

(5= Very significant Effect, 4= Significant effect, 3= Average , 2= Little Effect, 1= No effect)

Wage Inflation	5	4	3	2	1
Transfer Activity	5	4	3	2	1
Improved Commercial Performance	5	4	3	2	1
Global Marketing	5	4	3	2	1
League stature	5	4	3	2	1

16. How you think on-field playing performance in the Premier League has been affected by the results of the increase in foreign investment?

(5=Much Improved, 4=Improved, 3=No difference, 2=Worse, 1= Much Worse)

5	4	3	2	1

17. Do you think foreign investment into English clubs has improved the Premier League's global appeal?

(5= Strongly Agree, 4 = Agree, 3=Unsure, 2=Disagree, 1=Strong Disagree)

5	4	3	2	1

18. What has happened to the level of employment at the club since the takeover?

(5=Large Increase, 4 =Increase, 3=No Change, 2=Decrease, 1=Large Decrease)

5	4	3	2	1

19. Has the club used foreign senior managers to run off-field day-to-day operations?

(1=Agree, 2 = No, 3= Not sure)

3	2	1

20. Has the investment led to any changes in management techniques/styles used at the club?

(1=Agree, 2 = No, 3= Not sure)

3	2	1

21. What do you feel are the most important objectives for a football club?

(5= Very Important, 4= Important, 3= Average 4. = Minor Importance, 1= Unimportant)

Profit	5	4	3	2	1
On-Field performance	5	4	3	2	1
Global Growth	5	4	3	2	1
Community	5	4	3	2	1
Youth development	5	4	3	2	1

If you have any additional comments, please feel free to provide them in the space below.

Thank you for your assistance

Appendix 2: Domestically Owned Questionnaire

The effects of foreign investment on Club Y

Guidance: The following questionnaire is based on foreign investment into English football and its effects on your club. Please follow the instructions as given. The majority of questions are based on a ranking system. Please circle or tick the appropriate boxes. The questionnaire should take you no longer than ten minutes to complete. Thank you for your assistance.

1. How would you describe the investment at your club?

Gradual	Hostile Takeover	Full Buyout

2. What is the current shareholding of the major investor at the club?

	0-24%		25-49%		50-74%		75-100%

3. How positively do you view foreign investment into other clubs?

(5= very Positive, 4= positive, 3= unsure, 2= negative, 1= very Negative)

5	4	3	2	1

4. How significant do you think the impact of foreign investment has been on English football?

(5= very significant, 4=significant, 3 =unsure, 2= insignificant, 1 = very insignificant)

5	4	3	2	1

5. What impacts do you think foreign investment has had on English football?

(5=very Significant impact, 4= significant impact, 3=Average, 2=insignificant impact, 1= very insignificant impact)

Wage Costs	5	4	3	2	1
Transfer Costs	5	4	3	2	1
Profitability	5	4	3	2	1
Standard of matches	5	4	3	2	1
Off-field skills	5	4	3	2	1

6. Do you think that the level of on-field competition in the Premier League has improved due to increases in foreign investment?

(5=strongly agree, 4=agree, 3 =unsure, 2=disagree, 1 =strongly disagree)

5	4	3	2	1

7. How do you think your own club has been affected by foreign investment?

(5=very significant impact, 4= significant impact, 3=unsure, 2=insignificant impact, 1= very insignificant impact)

5	4	3	2	1

8. Has foreign investment into other clubs made it more or less difficult for your club to compete in the Premier League?

(5=much more difficult, 4=more difficult, 3 =no impact, 2=less difficult, 1 =much less difficult)

5	4	3	2	1

9. What types of impact has your club faced as a result of foreign investment into other clubs? *(5=very significant impact, 4= significant impact, 3=unsure, 2=insignificant impact, 1= very insignificant impact)*

Increased wage costs	5	4	3	2	1
Increased transfer costs	5	4	3	2	1
Harder to attract players	5	4	3	2	1
Commercial impacts	5	4	3	2	1
Weaker profitability	5	4	3	2	1

10. Do you feel that those clubs that have received foreign investment are able to develop advantages in off-field aspects of the club, which domestically owned clubs do not have? *(5=strongly agree, 4=agree, 3 =unsure, 2=disagree, 1 =strongly disagree)*

5	4	3	2	1

11. What advantages (if any) do you feel clubs that have been recipient of foreign investment have over domestically owned clubs? *(5=strong advantage, 4=advantage, 3=no advantage/disadvantage, 2=disadvantage, 1=strong disadvantage)*

Resources	5	4	3	2	1
Attraction	5	4	3	2	1
Potential	5	4	3	2	1
Off-field management	5	4	3	2	1
Global growth	5	4	3	2	1

12. How has your club responded to foreign investment going into other clubs?

(5= very strong response, 4= strong response, 3=unsure, 2=weak response, 1=very weak response)

Club placed up for sale	5	4	3	2	1
Investment in playing staff	5	4	3	2	1
Investment in non-playing staff	5	4	3	2	1
Commercial expansion	5	4	3	2	1
No changes	5	4	3	2	1

13. What benefits do you think foreign investment has brought into English football?

(5=very significant benefit, 4= significant benefit, 3=unsure, 2=insignificant benefit, 1= very insignificant benefit)

Increased Revenue Growth	5	4	3	2	1
Increased Interest/demand	5	4	3	2	1
League stature	5	4	3	2	1
More professional off-field management	5	4	3	2	1
Global Appeal	5	4	3	2	1

14. What drawbacks do you think foreign investment has brought into English football?

(5=very significant drawback, 4= significant drawback, 3=unsure, 2=insignificant drawback, 1= very insignificant drawback)

Harder for domestically owned clubs to compete	5	4	3	2	1
Wage inflation	5	4	3	2	1
Transfer inflation	5	4	3	2	1
Increased debt	5	4	3	2	1
Effect on spectators	5	4	3	2	1

15. What effect, if any, do you feel foreign investment into other clubs has had on the global appeal of the Premier League?

(3= positive, 2=No effect, 1=negative effect)

3	2	1

16. Do you think that the regulatory environment in English football has influenced the rise in foreign investment entering English football?

(5=strongly Agree, 4=Agree, 3 =Unsure, 2=Disagree, 1 =strongly Disagree)

5	4	3	2	1

17. What other reasons do you think have influenced English as a choice for foreign investment into football?

(5=very strong, 4=strong, 3=indifferent, 2=weak, 1= very weak)

Facilities	5	4	3	2	1
Club Availability	5	4	3	2	1
Revenue Generation	5	4	3	2	1
History	5	4	3	2	1
Global Appeal	5	4	3	2	1

18. Why do you feel other clubs have been targeted by foreign investors?

(5=very strong reason, 4=strong reason, 3=average, 2=weak reason, 1=very weak reason)

History	5	4	3	2	1
Image	5	4	3	2	1
Location	5	4	3	2	1
Financial	5	4	3	2	1
Club Availability	5	4	3	2	1

19. What elements of internal club capabilities do you feel have been important in terms of influencing foreign investment into other clubs?

(5= very important 4=important, 3=average, 2= little importance, 1= not very important)

Playing talent	5	4	3	2	1
Off-field management	5	4	3	2	1
Youth Academy	5	4	3	2	1
Coaching skill	5	4	3	2	1
Facilities	5	4	3	2	1

20. What do you think motivates foreign investors when making investments into English football?

(5= very strong motivation, 4= strong motivation, 3=average, 4=weak motivation, 5= very weak motivation).

Profit	5	4	3	2	1
Success	5	4	3	2	1
Prestige	5	4	3	2	1
Challenge	5	4	3	2	1
Fan/Passion	5	4	3	2	1

21. Do you think that the motivations of foreign investors are different to domestic investors?

(3=Yes, 2= Unsure, 1=No)

3	2	1

22. What do you feel are the most important objectives for a football club?

(5= Most Important, 4=Important, 3=average, 2=Unimportant, 1= Very Unimportant)

Profit	5	4	3	2	1
On-Field performance	5	4	3	2	1
Global Growth	5	4	3	2	1
Community	5	4	3	2	1
Youth development	5	4	3	2	1

23. Do you agree or disagree with this statement: Foreign investment into English football clubs should be encouraged

(3=Agree, 2=Not Sure, 1= Disagree)

3	2	1

If you have any further comments please feel free to add them in the space below.

Thank you for your assistance

Appendix 3: Club Owner Abbreviations

Club	Initials	Investor
Aston Villa	RL	Randy Lerner
Birmingham	CY	Carson Yeung
Blackburn	V	Venky's Group

Chelsea	RA	Roman Abramovich
Derby	GSE	Global Sports and Entertainment
Fulham	MAF	Mohamed Al-Fayed
Liverpool	TH & GG	Tom Hicks and George Gillett
Liverpool	NESV	New England Sports Ventures
Manchester City	TS	Thaksin Shinawatra
Manchester City	SM	Sheikh Mansour
Manchester United	G	Glazer Family
Portsmouth	MM	Milan Mandaric
Portsmouth	AG	Alexandre Gaydamak
Portsmouth	SAF	Sulaiman Al-Fahim
Portsmouth	BC	Balram Chainrai
Q.P.R	FB	Flavio Briatore
Q.P.R	TF	Tony Fernandes
Reading	AZ	Anton Zingarevich
Southampton	ML	Markus Liebherr
Sunderland	D	Drumaville
Sunderland	ES	Ellis Short
West Ham	BG	Björgólfur Gudmundsson
West Ham	CBH	Claret and Blue Holdings
Wimbledon	AKER	AKER RGI

Appendix 4: Club Abbreviations

Club	Initials
Arsenal	A
Aston Villa	AV
Birmingham City	BC (B in 2005/2006)

Blackburn Rovers	BR
Blackpool	B
Bolton Wanderers	BW
Charlton Athletic	CA
Chelsea	C
Everton	E
Fulham	F
Hull City	HC
Liverpool	L
Manchester City	MC
Manchester United	MU
Middlesbrough	M
Newcastle United	NU
Portsmouth	P
Stoke City	SC
Sunderland	SU (S in 2005/2006)
Tottenham Hotspur	TH
West Bromwich Albion	WBA
West Ham	WH
Wigan Athletic	WA
Wolverhampton Wanderers	WW